U.S. General Services Administration

2011 AGENCY FINANCIAL REPORT

A Legacy of Service, A Pursuit of Excellence

GENERAL SERVICES ADMINISTRATION
MISSION STATEMENT AND STRATEGIC GOALS

MISSION STATEMENT

GSA's mission is to use expertise to provide innovative solutions for our customers in support of their missions and by so doing foster an effective, sustainable, and transparent government for the American people.

STRATEGIC GOALS

Innovation

GSA will be an innovation engine for the government. GSA will use its government-wide perspective and expertise, centralized procurement and property management role, and unique statutory authorities to take chances that others are not positioned to take. GSA will test innovative ideas within its own operations and offer those solutions to other agencies through its government-wide contracting and policy-making authorities.

Customer Intimacy

GSA will seek an intimate understanding of and resonance with its customers in order to serve with integrity, creativity, and responsibility. GSA will develop strategic partnerships with industry and with other federal agencies to develop new and innovative tools for a more effective government.

Operational Excellence

GSA strives for performance excellence, continuous improvement, and the elimination of waste in all of its operations. GSA is committed to developing the acquisition workforce and deploying electronic tools to support the reform of federal contracting, and originating and fine-tuning the government-wide policies necessary for a truly modern federal government.

GSA has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR). For the FY 2011 APR, see the FY 2013 Congressional Budget Justification which will be published during February 2012 and available at GSA.gov/annualreport.

TABLE OF CONTENTS

GSA.gov/afr2011

LETTER FROM THE ADMINISTRATOR

I am proud to present the Fiscal Year (FY) 2011 Agency Financial Report (AFR) of the U.S. General Services Administration (GSA). The AFR highlights key accomplishments in our programs and financial management for the past year.

In FY 2011, GSA received another unqualified "clean" audit opinion from our independent auditors. The audit opinion and financial results reported in the AFR verify that GSA financial operations comply with federal financial regulations, Department of the Treasury guidance, and generally accepted accounting principles (GAAP). GSA's AFR provides taxpayers and our customers with confidence that we manage our operations with the same stewardship that they apply to managing their own funds.

The GSA mission is to use our expertise to provide innovative solutions for our customers in support of their missions and by so doing, foster an effective, sustainable, and transparent government for the American people. GSA has three strategic goals to help us achieve our mission: Innovation, Customer Intimacy, and Operational Excellence. The results reported in the AFR reflect our commitment to these goals and to our mission.

INNOVATION

GSA is an innovation engine for the government. Historically, we have leaned towards innovative solutions. This year, however, as we have broadened and deepened that capacity, we have made innovation a core and repeatable competency. Thanks to our wide scope of expertise and breadth of activities, GSA is the frequent first mover in testing and adopting agile technologies and leading-edge processes. Because of our positioning as the acquisition and workspace experts within the government, GSA is empowered to take smart risks and bold steps to introduce next-generation tools to government work. As a result, customer agencies look to us for guidance on finding innovative, cost-effective solutions for their operational needs.

One example of this is GSA's work around the open government initiatives, a government-wide effort to push information out to the public and invite the public in to solve government challenges. In support of this initiative, GSA has set up two websites, Data.Gov and Challenge.Gov. Data.Gov is a forum for agencies to open their information and data to the public. It allows citizens to harness and peruse vast amounts of government data ranging from seismic activity trends to energy usage. Challenge.Gov is a venue for agencies to tap into the collective wisdom of the public and draw out the best and brightest ideas for solving the nation's challenges. With the promise of monetary rewards for winning solutions, agencies post challenges that they face online and the public, private individuals as well as academic institutions and research organizations, provide their solution to the problem. Since its beginning one year ago, over one hundred challenges have been issued on Challenge.Gov with awards in excess of $36 million. Individually, these websites represent the next chapter in government transparency and openness. Together, they offer our customer agencies an unprecedented suite of innovative tools for solving their greatest challenges through citizen engagement.

In the past year, we honed our expertise along a broad range of innovative building technologies including geothermal, solar, biomass, and other renewable energy sources. We shifted the balance in the federal fleet toward more efficient vehicles, used green criteria to select business partners, and played a significant role in putting the government's stake in the ground on e-waste management. Our solid performance gives credence to the possibilities of the green economy of the future, and to the notion that we stand at the front of the government's innovation agenda.

CUSTOMER INTIMACY

Customer Intimacy requires a deep understanding of the business of our clients, the federal judiciary, agencies, and government at all levels; and openness to new ideas and solutions from our industry partners. GSA's position within the government is therefore unique, as we support the government while partnering closely with businesses. In this respect, GSA acts as a membrane between government and industry, passing customer preferences and operational challenges to the private sector and relaying market messages and innovative solutions back to government. For customers, we offer unparalleled expertise and best value in everything from IT to travel to buildings to disposal of property. For industry, we provide clear business opportunities, encourage innovation, and support and invite good ideas. Understanding the challenges that our customers face now, as well as those they will face in the future, is the hallmark of GSA customer service.

OPERATIONAL EXCELLENCE

GSA has long been an operational workhorse in the government, and as such we strive for performance excellence, continuous improvement, and the constant elimination of waste and inefficiency. One of our unique attributes is that we are positioned, through our legal authorities and large purchasing power, to execute large-scale programs, often the largest of their kind in the world.

Operations management runs in our organizational veins, and we have a deep history of delivering for the government, and FY 2011 was no exception. For example, GSA has leveraged our vast amount of travel data to bring new and significant savings to the federal customer. As the agency that facilitates more than 10 million airline ticket purchases every year on behalf of the federal government, the world's largest travel purchaser, GSA has negotiated with airlines to offer best-value tickets and prices to the federal traveler, saving agencies money and reducing government waste. GSA has also effectively orchestrated popular supply stores on military bases that reduce waste, lower costs, stimulate industry, and help war fighters deploy to the field and return home safely and efficiently. By setting ambitious goals, focusing on performance, developing new partnerships, and implementing new management techniques, we continue to improve on the vast operations we perform daily and globally.

SUSTAINABILITY

At GSA, sustainability is an environmental philosophy, a management philosophy, good stewardship of taxpayer dollars, and a budget directive. It provides a unifying management principle about the intelligent and effective deployment of resources across our enterprise, and it supports, and is supported by each of our strategic goals: innovating on opportunities for environmental and budgetary stewardship, partnering with customers in achieving their sustainability goals, and reducing consumption and waste throughout our operations. GSA understands that a high-performing government efficiently uses its resources, and sustainability is a powerful engine to drive those efficiencies.

GSA is embracing sustainability through our goal of achieving a zero environmental footprint. This goal provides a guiding force to accelerate innovation in green technology, business practices, and collaboration across our enterprise. For example, in FY 2011 GSA piloted a program of electric vehicles that are estimated to save agencies and taxpayers over $100,000 in avoided fuel costs annually. We also used our significant real estate footprint to bring the latest in energy saving technologies to scale. These savings make sense for our customers and deliver value to the taxpayer, and I am confident that achieving a zero environmental footprint will be a success both for the government and for the American people.

FINANCIAL SYSTEMS AND PERFORMANCE DATA ASSURANCES

As outlined in the Management Assurances section of this report, GSA conducted its assessment of the effectiveness of internal control over operations, systems, and financial reporting. GSA can provide reasonable assurance that internal controls were operating effectively in each of these areas.

Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in financial and program performance, and to identify corrective actions needed to resolve them. As required by the Reports Consolidation Act of 2000, I have assessed the financial and performance data used in this report, and believe it to be complete and reliable.

Martha Johnson

Martha Johnson
Administrator
November 9, 2011

HOW GSA BENEFITS THE PUBLIC

In FY 2011, GSA used its expertise to provide innovative solutions that allow the federal government to conduct its business. GSA provides federal agencies with motor vehicles, office supplies, technology, workplaces, and other goods and services to support their missions in serving the public. While most GSA activities provide behind-the-scenes assistance to the federal government's interactions with the public, there are also a number of ways that GSA provides direct benefits to the public.

GSA AND SUSTAINABILITY

GSA established an ambitious goal of eliminating its impact on the natural environment by creating a zero environmental footprint. The goal is to develop sustainable building design and operations, supply customer agencies with green products, and create sustainable business practices. By using its position as the federal government's landlord and acquisition expert to test and evaluate developing sustainable technologies and practices, GSA is able to create a more sustainable environment for the American public.

Some examples of GSA sustainability efforts in FY 2011 include:

- Renovations started on the San Ysidro Land Port of Entry in California, the world's busiest land port of entry serving more than 100,000 people every day. By installing photovoltaic (PV) panels, a geothermal heat exchange system, solar thermal hot water, rainwater reclamation systems, and other green technologies, San Ysidro will become the first net-zero land port of entry in the country, meaning it will produce as much energy in a year as it consumes. Once completed, this project is designed to achieve the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) platinum certification through energy efficiency, water conservation strategies, and an integrated design process.

- GSA is modernizing the 92-year-old Wayne Aspinall Federal Building and Courthouse into the country's first net-zero energy usage historic building. GSA will install an energy-saving geothermal heating and cooling system that uses the warmth or cold of the ground to control temperature and a solar panel array that is projected to generate enough energy to balance out the electrical demand of the building. Energy produced in excess of the building's requirements will be exported to the local electrical grid. The building also will feature state-of-the-art fluorescent light fixtures with wireless controls to adjust lighting in response to natural light levels and storm windows with solar control film to reduce demand on heating and cooling.

The Wayne N. Aspinall Building in Grand Junction, Colorado.

- Many buildings in the GSA portfolio have been recognized for their superior performance, energy efficiency, and green building design. At the end of FY 2011, GSA owned 34 and leased 26 buildings that were LEED certified. More information about GSA sustainable design is available at GSA.gov/sustainabledesign.

- In an effort to make the federal fleet more sustainable and environmentally friendly, over 80 percent of GSA vehicle purchases in FY 2011 were alternative fuel vehicles (AFVs). GSA purchased 44,121 AFVs valued at over $950 million. Of these 44,121 AFVs, 33,843 were Flex Fuel Vehicles (Ethanol & Biodiesel), 7,566 were Low Greenhouse Gas Emitting Vehicles, 2,539 were Hybrids, and 173 were Electric Vehicles. With these new purchases the GSA fleet was able to achieve a 21 percent MPG improvement, leading to fuel savings of over $2.5 million and reducing greenhouse gas emissions by 22,506 metric tons.

One of the GSA Electric Pilot Vehicle Program's new Chevrolet Volts recharging its batteries.

- Ninety-two percent of GSA shipments to its customers went through participating SmartWay Transportation Service Providers. SmartWay is an innovative collaboration between the Environmental Protection Agency and industry to track fuel consumption, improve fuel efficiency, and reduce greenhouse gas emissions and pollution from the transportation supply chain industry. In support of sustainability, GSA became the first federal agency to achieve the industry's highest ranking SmartWay Transport Partner certification.

- GSA continued to champion telework in the federal government. GSA employees teleworking reduced emissions associated with commuting to work by over 4,600 metric tons of carbon dioxide equivalents; the equivalent of reducing gasoline consumption by more than 460,000 gallons. More information about GSA efforts to support telework is available at GSA.gov/telework.

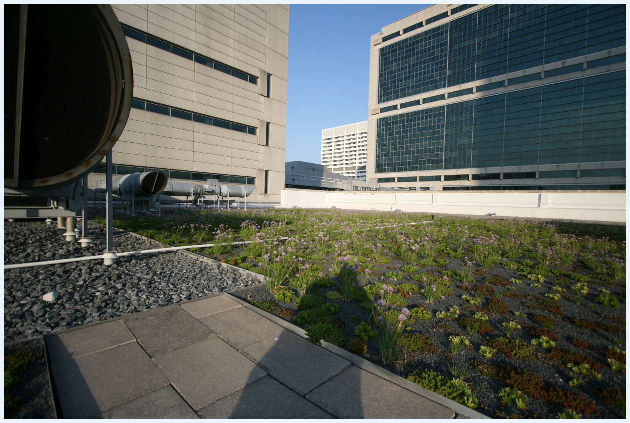
More information about GSA sustainability efforts is available at GSA.gov/sustainability.

GSA AND THE AMERICAN RECOVERY AND REINVESTMENT ACT

This past year GSA continued to use the American Recovery and Reinvestment Act (Recovery Act) to accelerate its efforts to make the federal government more sustainable. This year, GSA completed 12 Recovery Act Projects and started design or construction activity on 83 other projects. Once completed, these projects will help federal buildings reduce water and energy consumption and shift energy usage to renewable sources, while reducing the buildings' carbon emissions and reliance on carbon-based fuels. These projects have promoted the efficient and effective reinvestment of Recovery Act funds into communities in 50 states, two territories, and the District of Columbia in keeping with the GSA Recovery Act goal of transforming federal buildings into high-performance green buildings.

Several GSA Recovery Act efforts in FY 2011 include:

- GSA replaced the roofs of three Georgia federal buildings with green vegetative roofs. These roofs will help the buildings absorb rainwater, reduce heat absorption lowering air conditioning costs, and reduce runoff to the sewer system. Additionally, the materials used for this project were environmentally friendly by minimizing or omitting petroleum in their manufacture.



The new vegetative roof at the Sam Nunn Atlanta Federal Center.

- In January, GSA started the installation of a geothermal ground source heat pump that will use evacuated tube technology at the Whipple Federal Building in Fort Snelling, Minnesota. It is anticipated this ground source heat pump will provide 100 percent of the building's heating and cooling requirements. The heat pump will be three to four times more efficient than a conventional centrifugal chilled water plant with cooling tower and gas-fired boiler. Additionally, GSA is installing a PV array and solar water heater system on the roof to subsidize the building's energy requirements.

The photovoltaic solar array on the roof of the Philadelphia Veterans Administration Center.

- At the Philadelphia Veterans Administration Center, GSA completed upgrades to the building's roof that will reduce its energy consumption. The previously ballasted roof was replaced with a new, highly insulated and reflective roof. Additionally, GSA installed 1,937 PV panels that will reduce the building's energy usage by four percent. The solar panels, insulation, and increased reflectivity of the roof are planned to reduce the building's annual carbon footprint by 400 metric tons.

- GSA started the installation of a one megawatt wind turbine at the Land Port of Entry in Pembina, North Dakota. The energy produced will support on-site operations and will provide redundancy with the electric grid. This turbine is estimated to generate a minimum of 1,242,600 kilowatts per year or approximately 72 percent of the border station's annual electrical needs.

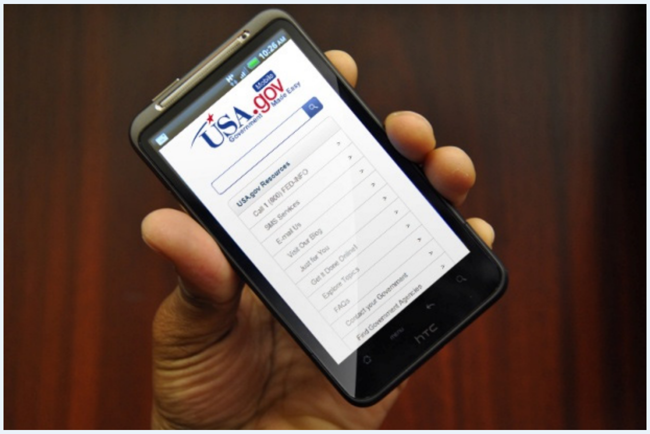
More information about GSA involvement in the Recovery Act is available at GSA.gov/recovery.

GSA PROMOTES TRANSPARENCY AND CITIZEN ENGAGEMENT

GSA serves as the doorway to the federal government through which citizens can receive a wide variety of information about the federal government across multiple platforms. The public can find information about federal agencies, programs, benefits, and services from a number of GSA managed locations: the federal government's official web-portal USA.gov and its Spanish-language counterpart GobiernoUSA.gov, the National Contact Center (1-800-FED-INFO), and the Federal Citizen Information Center. Another website that GSA manages, Data.gov, has a collection of 400,000 data sets from 172 different federal agencies and sub-agencies, to increase public awareness and promote transparency of the federal government's activities.

GSA citizen engagement efforts in FY 2011 include:

- Over 272 million interactions with GSA public facing websites, a 50 percent increase in web-traffic over last year.



The USA.gov mobile application.

- GSA provided the portal for 85 mobile applications available to provide the public with information ranging from Transportation Security Administration travel updates to nutritional information. More information about mobile applications is available at Apps.USA.gov.

- A partnership among GSA, the Government Printing Office, and Google, Inc. made 122 popular, free publications available using Google Books™. This partnership was just one of the ways that GSA used e-publications to give the public greater access to government documents, while reducing the costs and environmental impact of printing and shipping physical copies. The public can freely view and download e-book and PDF copies of these publications to their personal computers, e-readers, and mobile devices. This year, the public downloaded 1.5 million e-publications from publications.USA.gov.

- As part of a women's health campaign, *Dear Abby* referenced the GSA sponsored *Healthy Mother's Advice Kit* just before Mother's Day 2011. The GSA Federal Citizen Information Center distributed over a million hard-copy and electronic publications in response to the large number of requests following the mention.

More information about how GSA engages the public is available at GSA.gov/ocsit.

GSA HELPS SMALL BUSINESS

GSA supports and works with the nation's small businesses to help them to compete with larger companies and take part in the federal procurement process. GSA provides counseling for business development, marketing strategy and technique workshops, and hosts low-cost networking events to help small businesses navigate the federal procurement process. Every year GSA participates in over 350 conferences, marketing events, and trade fairs in an effort to provide assistance and guidance to small businesses interested in contracting with GSA and the federal government.

Here are a couple of the ways that GSA assisted small businesses in FY 2011:

Over 100 participants from the small-business community attended the first GSA Mentor-Protégé Program conference.

- GSA awarded over $1.4 billion in prime contracts to small businesses. These awards accounted for over 40 percent of all eligible procurement spending.

- GSA and the White House unveiled the Business Breakthrough Program to provide businesses with the necessary knowledge to understand the intricacies of the federal marketplace and GSA contracting vehicles. Representatives from GSA, industry, and other federal agencies will lead businesses through real-world case studies across multiple industries on how to successfully navigate government contracting.

More information on how GSA helps small businesses can be found at GSA.gov/smallbusiness.

GSA AIDS DISASTER RELIEF

The GSA Disaster Relief Program helps federal, state, and local agencies acquire the supplies, equipment, and services necessary to carry out their disaster relief and emergency readiness efforts. In FY 2011, GSA helped procure over $83 million in equipment, medical supplies, temporary shelters, and other needed supplies for flood, tornado, hurricane, and other disaster relief efforts.

Some of the ways GSA assisted with disaster relief efforts in FY 2011 include:

- The GSA Wildland Fire Program helped over 140 response efforts fight forest fires across the country by supplying them with over $20 million in ready-to-eat meals, sleeping bags, water kits, batteries, firefighting water pumps and hoses, fire shelters, and safety equipment. More information about GSA efforts to assist firefighters is available at GSA.gov/fireprogram.

- Another vital role GSA played in disaster relief efforts was providing victims with the supplies and services needed to get them through the initial aftermath of a natural disaster. GSA helped arrange for emergency lodging accommodations to over 429,000 disaster survivors. Additionally, GSA helped supply natural disaster victims with 1.3 million bottles of water; 685,000 blankets; 200,000 tarps; 84,000 plastic bowls, cups, and plates; 2,250 five-gallon solar heated camp shower bags; 2,088 camp pads; 500 hygiene kits; 106 medical cots, and other supplies.

More information about how GSA helps federal, state, and local governments respond to natural disasters is available at GSA.gov/disasterrecovery.

GSA GIVES BACK

Not only do GSA employees provide benefits to American citizens around the country, but they also strive to make their local communities better places to live.

Some examples of ways that GSA worked to make a positive impact on communities across the nation in FY 2011:

- GSA facilitates the Computers for Learning Program through which federal agencies donate excess laptops, computers, and other computer-related hardware to public schools and non-profit educational institutions without the resources to acquire them on their own. This year, GSA helped transfer computers and other hardware components worth $55.9 million to 658 schools and educational institutions. More information about the Computers for Learning Program can be found at GSA.gov/computersforlearning.

Students from Mt. Rainier Lutheran High School in Tacoma, Washington using their new laptops for the first time.

- Last year there were 109 child care centers located in GSA managed buildings providing care to over 8,300 children. These centers provide children with a safe and nurturing learning environment, while their parents are at work. More information on GSA Child Care Centers can be found at GSA.gov/childcare.

- GSA offices nationwide participated in the "Feds Feed Families" food drive from June to August 2011. GSA employees donated 15,466 pounds to local food banks around the country as a part of this campaign, nearly 2,600 pounds more than the initial goal of 12,900 pounds.

Food donations for the "Feds Feed Families" food drive being collected at the GSA One Constitution Square building.

GSA SAVES TAXPAYER MONEY

GSA is always looking for the most cost-effective options and innovative ways to save money for the American taxpayer.

A few of the innovative ways that GSA saved money for U.S. taxpayers in FY 2011 include:

- GSA awarded the Airline City Pairs Program contracts. The City Pairs Program is the largest managed airline program in the world and provides federal customers the ability to book fully refundable flights for over 6,000 domestic and international city pairs. GSA was able to leverage the massive buying power of the federal government and negotiate airfares approximately 70 percent lower than commercial rates. This will save the federal government and taxpayers an estimated $7.4 billion in travel costs. More information about the City Pairs Program can be found at GSA.gov/citypairs.

- The GSA strategic sourcing program, OS2, allows federal agencies to purchase office supplies in a more cost effective manner through contracts with 15 companies. These strategic contracts allowed the federal government to purchase office supplies at a 8.3 percent discount in FY 2011, resulting in savings of over $17.5 million. GSA expects that this program will save the federal government nearly $200 million over the next four years. More information about OS2 can be found at GSA.gov/fssiofficesupplies.

- In June, GSA moved to Google's cloud-based email platform. Not only has GSA become better able to collaborate and continue operations during disasters and shutdowns as a result of being on the cloud, but this migration is expected to save more than $15 million in information technology costs over the next five years.

GSA was the first federal agency to move its agencywide email system to the cloud.

Management's Discussion and Analysis

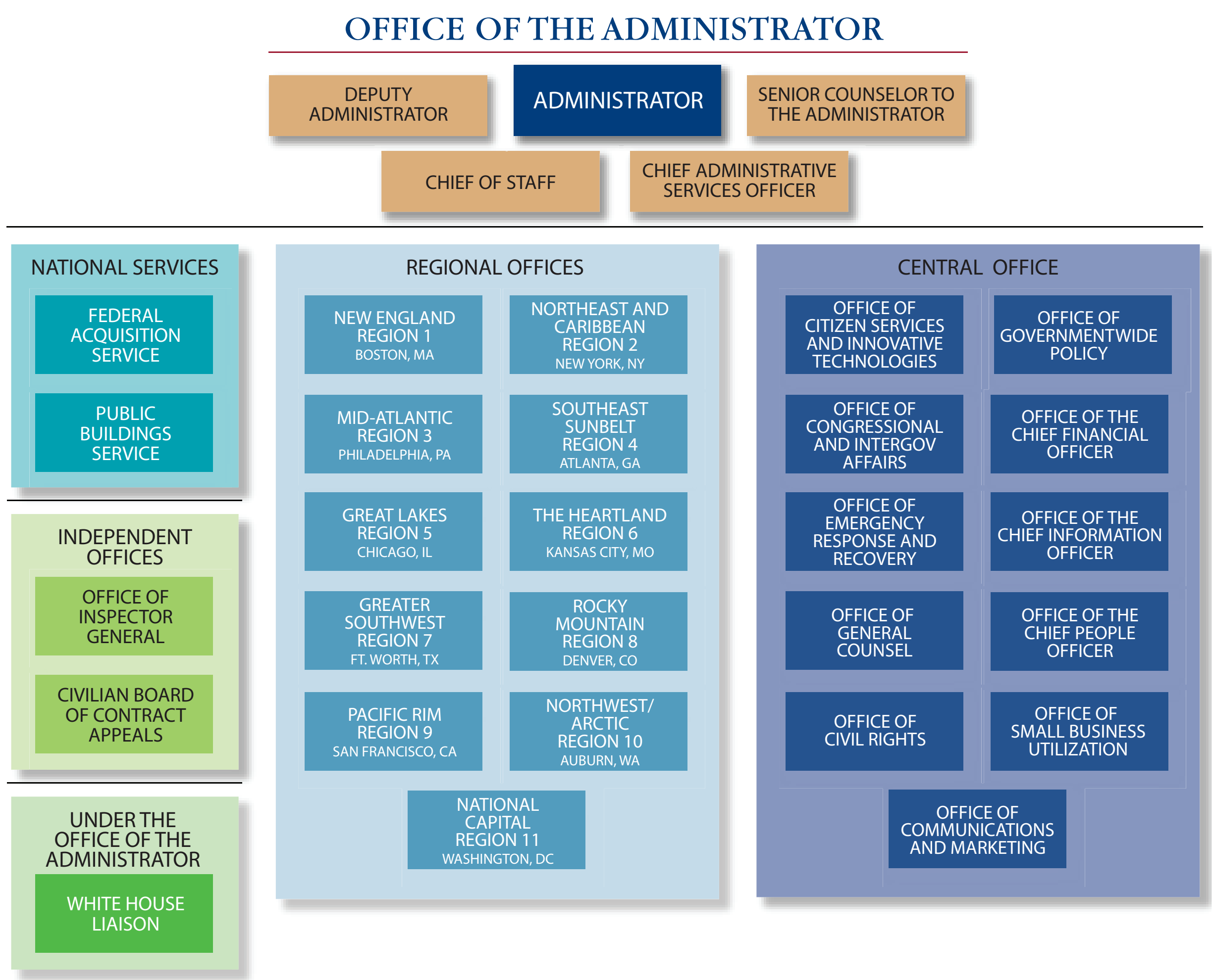
ORGANIZATION

GSA delivers services to its federal customers through 11 regional offices and the central office in Washington, D.C. GSA is composed of the Federal Acquisition Service (FAS), the Public Buildings Service (PBS), the Office of Citizen Services and Innovative Technologies (OCSIT), the Office of Governmentwide Policy (OGP), 9 staff offices that support the agency, the Office of Inspector General (OIG) and the Civilian Board of Contract Appeals (CBCA).

For more information on these offices, please see the Description of Independent and Central Offices section in the Other Accompanying Information in this report.

FEDERAL ACQUISITION SERVICE

FAS is the lead organization for procurement of products and services (other than real property), for the federal government. FAS leverages the buying power of the government by



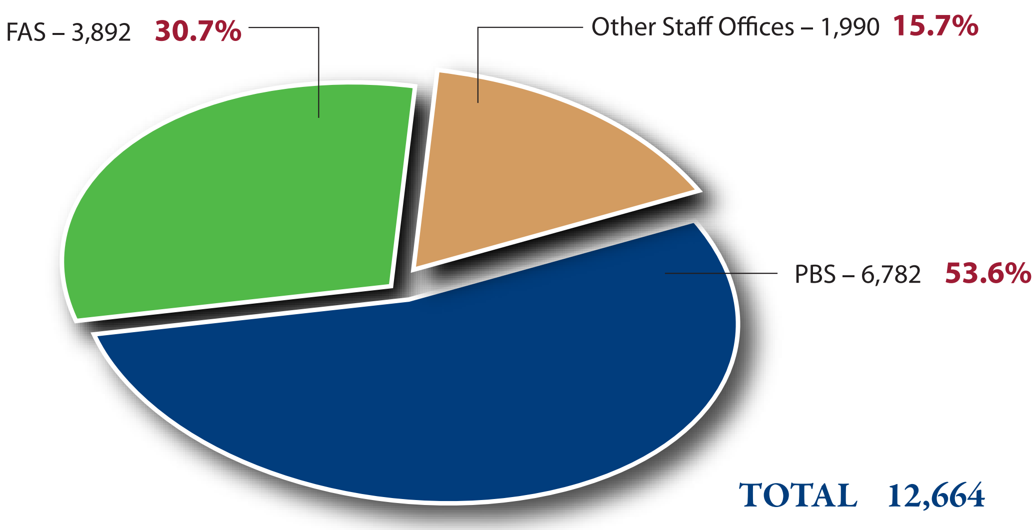
consolidating federal agency requirements for common goods and services. FAS provides a range of high-quality and flexible acquisition services that increase overall government effectiveness and efficiency. FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: Integrated Technology Services; Assisted Acquisition Services; General Supplies and Services; and Travel, Motor Vehicles, and Card Services. The FAS portfolio structure enables GSA and FAS to provide best-value services, products, and solutions to its customers by aligning resources around key functions.

PUBLIC BUILDINGS SERVICE

PBS is the largest public real estate organization in the United States, providing facilities and workspace solutions to more than 60 federal agencies. PBS aims to provide a superior workplace for the federal worker and superior value for the taxpayer. PBS's activities fall into two broad areas. The first is space acquisition through both leases and construction. PBS translates general needs into specific requirements, marshals the necessary resources, and delivers the space necessary to meet the respective missions of its federal clients. The second area is management of space. This involves making decisions on maintenance, servicing tenants and ultimately, deciding when and how to dispose of a property at the end of its useful life. In addition, PBS is working with customers to design the workplace of the 21st Century, thereby reducing overall space needs.

In FY 2011, GSA had 12,664 full-time equivalent (FTE). FTE are defined as the total number of hours worked, divided by the total hours in a work year. GSA has a continuing commitment to its federal customers and taxpayers to provide services in the most cost-effective manner possible. GSA delivers on this promise by steadily improving organizational performance.

FTE BREAKDOWN BY ORGANIZATION



PERFORMANCE SUMMARY AND HIGHLIGHTS

The GSA mission is to use expertise to provide innovative solutions for its customers in support of their missions and by so doing, foster an effective, sustainable, and transparent government for the American people. GSA is committed to excellence in the business of government by providing modern, efficient, and comprehensive solutions that meet the needs of all federal agencies.

GSA has three strategic goals: Innovation, Customer Intimacy, and Operational Excellence. GSA must take risks and be innovative; seek an intimate understanding of customers' missions and goals; and continuously improve business processes to influence customer behavior, green the federal supply chain, and drive the market for sustainable products and services.

In FY 2010, GSA established a set of agency priority goals: Environmental Sustainability, Open Government and Transparency, and Excellence in Solutions Delivery. These goals identify short-term outcomes that are meaningful to the public and demonstrate progress toward achieving the GSA strategic goals. Each GSA agency priority goal aligns with a GSA strategic goal: Innovation is supported by the Environmental Sustainability goal, Customer Intimacy objectives are reported in the Open Government and Transparency goal, and success in Operational Excellence will be measured, in part, by GSA performance against its goal of Excellence in Solutions Delivery.

STRATEGIC GOAL: INNOVATION

Agency Priority Goal: Environmental Sustainability

GSA took actions to directly reduce its consumption of resources and provided customer federal agencies with solutions to manage and reduce their consumption.

In FY 2011, there were three key areas where GSA sought to make the greatest impact in improving federal environmental performance: government-wide policy, greening the federal supply chain, and recycling in federal buildings. GSA is creating innovative sustainability solutions by using existing processes to deliver radically different outcomes for GSA, federal agencies, industry, and the public.

GSA is responsible for formulating and maintaining government-wide policies covering a variety of administrative activities including: the acquisition, management, and disposal of personal and real property; federal employee travel and transportation; federal information technology; and the use of regulatory information and federal advisory committees. GSA uses its policy responsibilities to ensure that all federal agencies have access to and use the most effective practices for managing property, technology, and administrative services.

In FY 2011, GSA modified government-wide policies and set the example by applying new sustainability policies internally to ensure policy making embodies sustainability goals and drives the GSA zero environmental footprint objective. Among the agency's successful accomplishments this year were the:

- Launching of the Sustainable Facilities Tool that attracted over 7,500 visits from the public and other federal agencies in the first 20 days and registered projects from more than 30 federal agencies;
- Joining with the Environmental Protection Agency and the Council on Environmental Quality to issue the National strategy for Electronics Stewardship, which outlines a series of improvements to federal electronics procurement and property management policies;
- Moving to electronic reporting of electronic equipment disposal and publishing the baseline dataset on Data.gov; and
- Reporting on common space utilization benchmarks.

Resource, technology, and leasing issues prevented GSA from completing the number of electricity sub-metering pilots originally planned; however, three of five metering pilots were launched during the fiscal year.

Another way GSA worked toward environmental sustainability in FY 2011 was by greening the federal supply chain. GSA incorporated greenhouse gas (GHG) emissions in procurement decisions to reduce the environmental impact of the federal government. As of September 30, 2011, GSA used GHG emissions as a technical evaluation factor in four procurements: the carbon footprint tool; the Federal Emergency Management Agency Joint Field Office blanket purchase agreement (BPA); the Information Technology commodities BPA; and the short term rental BPA. These four procurements will inform future efforts related to green practices in the federal supply chain.

Additionally in FY 2011, GSA significantly outperformed the FY 2011 target for solid waste recycling by 862 tons through increasing communication and collaboration across the GSA real estate footprint. GSA also improved the reporting of solid waste disposal across its portfolio.

STRATEGIC GOAL: CUSTOMER INTIMACY

Agency Priority Goal: Open Government and Transparency

GSA drove greater transparency and openness in government through the adoption of agile technologies, processes, and expertise for citizen engagement and collaboration. These innovative solutions encouraged a more effective, citizen-driven government.

GSA supports other agencies by combining products, services, and expertise to offer effective and efficient solutions to help other federal agencies meet their policy objectives. GSA developed expertise in delivering government information and services directly to citizens and helping other federal agencies improve their interactions with the public. GSA is using its strength in this area to improve the effectiveness of government by helping other agencies improve their interactions with citizens, engage citizens in government, and increase transparency in government.

In FY 2011, agencies across the federal government conducted 344 engagement activities sponsored by GSA. These activities include social media tools such as challenges, blogs, wikis, and web-forums that allow agencies to collaborate with citizens by offering a forum for citizens to introduce new ideas and concepts. By promoting the use of these tools across the federal government, GSA is increasing the number of channels through which citizens can discover information about the federal government.

Another way that GSA sought to increase transparency across the federal government in FY 2011 was through its Web Manager University. This program educates government employees on citizen engagement methods and tools in forums, classes, and webinars designed to increase federal agencies' capability in creating successful citizen engagement outcomes.

This past year, GSA trained 10,075 students through this program.

In total, all GSA citizen-facing tools and programs produced over 272 million citizen interactions in FY 2011. GSA citizen interactions include federal government information and consumer action print publications ordered from GSA; phone calls answered and e-mail inquiries received by GSA-operated contact centers; and web clicks on USA.gov and GobiernoUSA.gov, the web portal of the federal government. GSA citizen interactions connect millions of Americans with the government information and services they need.

Despite absorbing budget cuts, GSA met the agency priority goal targets for citizen touchpoints, engagement activities, and students trained through Web Manager University. GSA continues to partner with the Office of Management and Budget to support government-wide web reform and explore proposed new initiatives, including supporting the Consumer Finance Protection Bureau, ExpertNet, GovYelp, Verify Payment, Payment Accuracy, the 25 Point Implementation Plan to Reform Federal Information Technology Management, and Executive Order 13571, *Streamlining Service Delivery and Improving Customer Service*. Although these partnerships drew resources away from ongoing programs, GSA made considerable progress this year toward creating an open government and increasing transparency with the American people.

STRATEGIC GOAL: OPERATIONAL EXCELLENCE

Agency Priority Goal: Excellence in Solutions Delivery

As the government's expert in real estate, GSA worked with customer agencies to develop strategic portfolio plans that best meet mission workplace needs, manage customer real estate costs, and maximize the performance of the GSA inventory.

GSA strives for performance excellence, process improvement, and the most efficient and effective use of government assets. GSA effectively manages its real property assets by maintaining very low vacancy rates and continuously seeking new means to increase the efficient use of occupied space. GSA provides federal agencies with workspace and collaborates with its tenants to help them more effectively use of their space.

In the past, federal agency real estate projects were approached as individual customer engagements. Now by developing Customer Portfolio Plans (CPPs), GSA and the customer agency will have a holistic view of the customer agency's real estate portfolio to address current and future customer agency mission requirements more cost effectively. Additionally, these plans will increase the efficiency of the customer agency's workspace and optimize GSA utilization of federal real property assets. In FY 2011, GSA developed CPPs with three customer agencies: the Department of State, the Department of Health and Human Services, and the Social Security Administration.

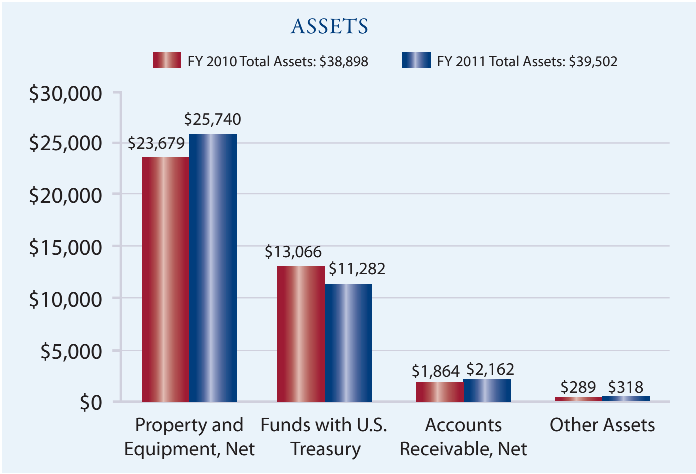
FINANCIAL STATEMENTS ANALYSIS AND SUMMARY

KPMG LLP issued an unqualified "clean" opinion on GSA's FY 2011 financial statements. Agency management is accountable for the integrity of the financial information presented in the financial statements. The financial statements and financial data presented in this report have been prepared from GSA accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board. The Consolidating Statements of Net Cost presents by major program and activity the revenues and expenses incurred to provide goods and services to our customers. This presentation does not directly align with the strategic and agency priority goals which focus on qualitative aspects such as Innovation, Customer Intimacy, and Operational Excellence.

CONSOLIDATED FINANCIAL RESULTS

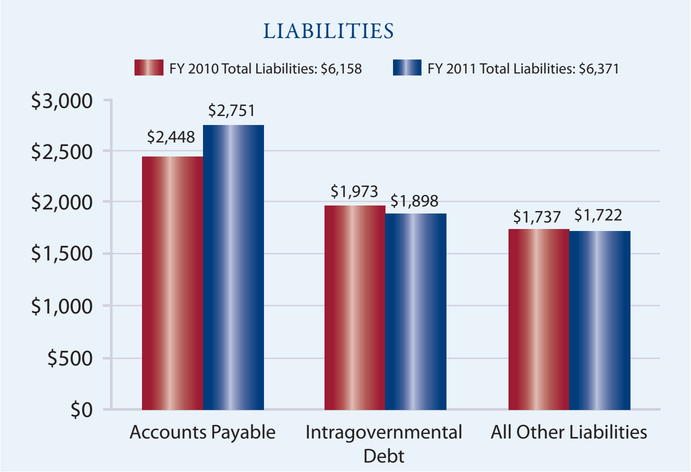
GSA Assets

GSA assets include federal buildings, motor vehicles, and office equipment (Property and Equipment); cash balances held in the U.S. Treasury (Fund Balance with Treasury); and debts owed to GSA (Accounts Receivable) from other federal agencies, primarily for sales transactions or rent that was not collected at the end of FY 2011. Property and Equipment, represent 65 percent of total assets of over $39.5 billion. Overall, Property and Equipment increased by $2 billion. Buildings account for the largest increase of $386 million (net of depreciation), driven by building modernization and alteration projects funded by the Recovery Act. In addition, Construction in Process and Software in Development increased by 56 percent or $1.6 billion. These line items are expected to increase in the coming years as work continues on over $2.7 billion in remaining contracts for Recovery Act projects.



GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors but not yet paid (Accounts Payable) and amounts GSA owes to other federal entities (Intragovernmental Debt). From FY 2010 to FY 2011, Accounts Payable and Accrued Expenses increased by $303 million primarily because of a $297 million increase in amounts owed to vendors. Additionally, the "All Other Liabilities" category decreased by $15 million.



FINANCIAL RESULTS BY MAJOR FUND – FEDERAL BUILDINGS FUND

The Federal Buildings Fund (FBF) is the primary fund of the Public Buildings Service (PBS). As the largest public real estate organization in the nation, PBS provides workplaces for federal agencies and their employees. FBF is primarily supported by rent paid to GSA from other federal entities.

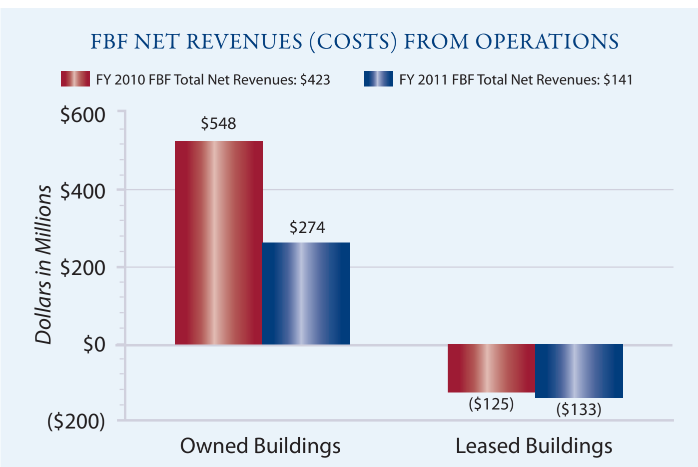
FY 2011 FBF revenue was $11 billion, with over half the revenue from five federal customer agencies shown in the "FBF Top 5 Customers" table.

FBF Top 5 Customers	Revenues (Dollars in Millions)	Percentage of Total Revenues
Department of Justice	$ 1,762	16%
Department of Homeland Security	$ 1,735	16%
Federal Judiciary	$ 1,126	10%
Social Security Administration	$ 843	8%
Department of the Treasury	$ 821	7%

FBF Net Revenues from Operations

FBF Net Revenues from Operations represent the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenues from Operations are used to invest in major repairs and alterations to federal buildings and to partially offset costs of constructing new federal buildings.

Revenues and expenses in FBF are primarily from building operations and rent. FBF also operates a Reimbursable Work Authorization (RWA) program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in the base rental agreement. Overall FBF net revenues decreased 67 percent, or $282 million, to $141 million in FY 2011. This drop was mostly attributable to one-time charges of approximately $256 million, related to environmental cleanup costs and depreciation adjustments. The overall net revenue for FY 2011 was comprised of $274 million in net profits for owned properties and $133 million in net losses for leased buildings operations. Also, net operating results of both owned and leased buildings continue to include expenses in FY 2011, totaling $33 million and $42 million, respectively, which are covered by Recovery Act funding. Expenses for Recovery Act activities produce reductions in net operating results reported on the Consolidating Statements of Net Cost, since they are funded by appropriations, rather than revenues generated to cover these activities.



FBF Obligations and Outlays

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new federal buildings; for repairs, cleaning, utilities and other maintenance of GSA-owned federal buildings; and lease and related payments to commercial landlords for space leased by GSA for federal agencies.

FBF Obligations and Outlays (Dollars in Millions)	FY 2011	FY 2010	Change ($)	Change (%)
Obligations Incurred	$11,443	$14,886	($ 3,443)	(23.13)%
Gross Outlays	$12,664	$11,232	$ 1,432	12.75%
Offsetting Collections	$10,956	$10,444	$ 512	4.90%

FBF Obligations Incurred decreased by more than $3.4 billion between FY 2010 and FY 2011. This significant reduction is the direct result of the depletion of Recovery Act resources and reduced ordering as the initiation of projects is winding down. Recovery Act obligations in the FBF continued throughout the year until the availability of funds expired at the close of FY 2011. Outlays are payments made by the government, once goods and services are received at an acceptable level of quality and completeness. FBF Outlays increased by $1 billion in FY 2011 as a result of the Recovery Act and payments to vendors as projects are being completed. Offsetting collections represent revenues collected from other federal agencies that "offset" expenditures made by GSA on behalf of other federal agencies.

FINANCIAL RESULTS BY MAJOR FUND – ACQUISITION SERVICES FUND

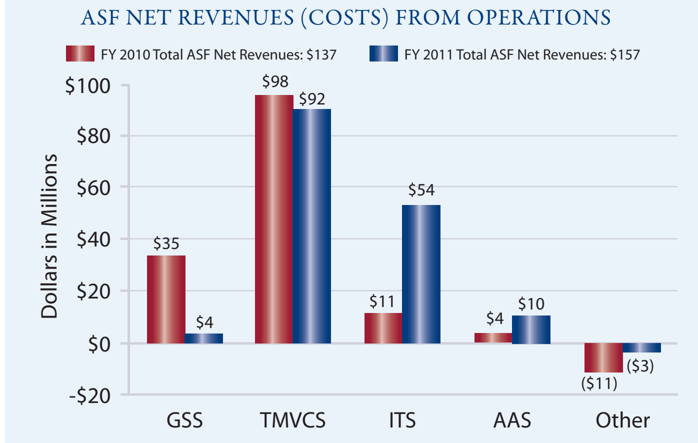
The Acquisition Services Fund (ASF) is a revolving fund which operates on the revenue generated from its business lines rather than an appropriation received from Congress and is the primary fund of the Federal Acquisition Service (FAS). FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: General Supplies and Services (GSS); Travel, Motor Vehicle, and Card Services (TMVCS); Integrated Technology Services (ITS); and Assisted Acquisition Services (AAS). FAS consolidates common requirements from multiple federal agencies and uses its negotiating expertise to acquire products and services at better prices and terms than agencies could obtain individually.

ASF Top 5 Customers	Revenues (Dollars in Millions)	Percentage of Total Revenues
Department of Defense	$5,552	58%
Department of Homeland Security	$ 508	5%
Department of Agriculture	$ 409	4%
Department of Justice	$ 325	4%
Department of Health	$ 261	3%

In FY 2011, ASF realized $9.5 billion in revenues. The majority of revenues were from the five agencies shown in the "ASF Top 5 Customers" table.

ASF Net Revenues from Operations

ASF Net Revenues from Operations represent the amounts remaining after the costs of goods and services sold and FAS operating expenses are subtracted from revenues earned during the year. Net Revenues from Operations are used to invest in the GSA Fleet, as well as information systems and other investments necessary to improve FAS responsiveness to its customers and to comply with new regulatory and statutory requirements.



ASF FY 2011 net revenues are $157 million which is $20 million, or 15 percent, more than FY 2010 net revenue of $137 million. The increase in net revenue was primarily attributed to increases in the ITS portfolio of $43 million, offset by a $31 million decrease in net revenue in the GSS portfolio.

ASF Obligations and Outlays

ASF Obligations and Outlays (Dollars in Millions)	FY 2011	FY 2010	Change ($)	Change (%)
Obligations Incurred	$11,363	$10,891	$472	4.33%
Gross Outlays	$10,344	$10,049	$295	2.94%
Offsetting Collections	$10,413	$10,232	$181	1.77%

ASF obligations and outlays are primarily driven by contracts awarded to commercial vendors to provide goods and services to federal agencies. From FY 2010 to FY 2011, Obligations Incurred and Outlays in ASF both increased because of slight overall growth in business volume.

Limitations of Financial Statements

The principal financial statements report the financial position and results of GSA operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from GSA books and records in accordance with GAAP for federal entities and the format prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

GSA MANAGEMENT ASSURANCES

STATEMENT OF ASSURANCE

The U.S. General Services Administration's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). GSA conducted its assessment of the effectiveness of internal control over operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, GSA can provide reasonable assurance that internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations met the objectives of FMFIA and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2011.

Successful implementation of the GSA internal control program ensures that programs are managed efficiently and effectively while deterring waste, fraud, abuse and mismanagement. In FY 2011, GSA performed full internal control assessments of many of its programs, including risk analysis and risk assessments. These reviews combined with management's assessment of internal controls allow GSA to provide reasonable assurance that the key accountability objectives are being met and that significant risks are adequately mitigated for all GSA programs.

GSA conducted its assessment of the effectiveness of internal control over financial reporting in accordance with Appendix A of OMB Circular A-123. Based on the results of this assessment, GSA can provide reasonable assurance that internal controls over financial reporting as of September 30, 2011 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. In addition, OMB Circular A-127, *Financial Management Systems*, requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards, and the USSGL. GSA assessed its degree of substantial compliance by utilizing the FFMIA Risk Model. GSA financial management systems were found to be substantially in compliance with FFMIA as of September 30, 2011.

Martha Johnson

Martha Johnson
Administrator
November 9, 2011

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT SECTION 2

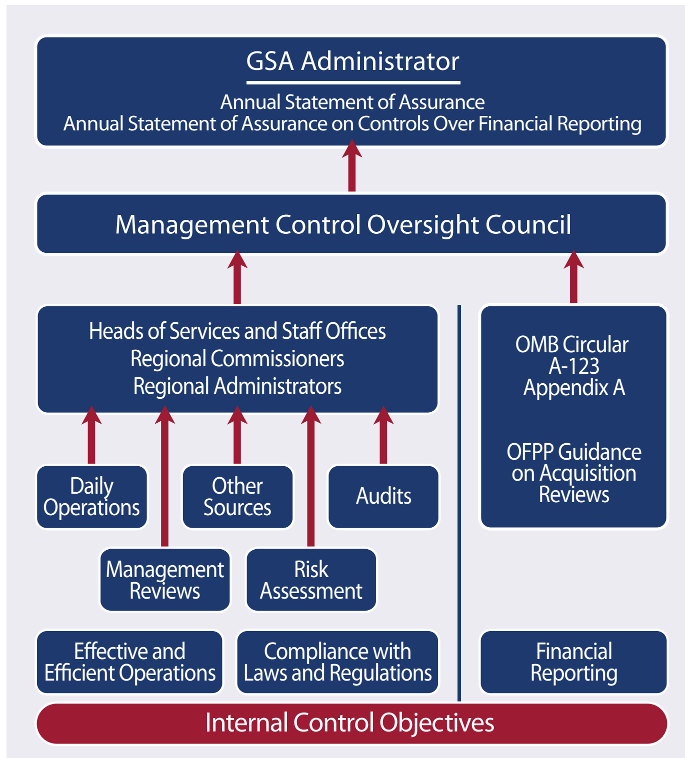
The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal control and financial systems that provide reasonable assurance that the three objectives of internal control are achieved:

- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Reliability of financial reporting.

FMFIA requires that the head of the agency, based on evaluation, provide an annual Statement of Assurance on whether the agency has met these requirements. Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, implements the FMFIA and defines management's responsibility for internal control in federal agencies. FMFIA also requires agencies to establish internal controls over their programs, financial reporting, and financial management systems. GSA internal control reviews are conducted for agency program components to ensure that all significant risks are identified, tested, evaluated, and mitigated timely and effectively. These reviews also ensure that audit findings are addressed in a timely and effective manner and corrective action plans are implemented. GSA provides assurance on the effectiveness of the FY 2011 internal controls over operations, management systems, and financial reporting with consideration to all internal and external reviews of the agency. A "Summary of Financial Statement Audit and Management Assurances" table is provided in the Other Accompanying Information section of this report.

In FY 2011, GSA continued to strengthen management practices and internal controls to assure the integrity of its programs, operations, and business and financial management systems. This effort included an increased focus on risk management and risk analysis for all programs. GSA successfully completed all requirements of OMB Circular A-123; the Office of Federal Procurement Policy (OFPP) Memorandum *Conducting Acquisition Assessments under OMB Circular A-123*; the FMFIA; OMB Circular A-127, *Financial Management Systems*; the Federal Financial Management Improvement Act (FFMIA); and the Federal Information Security Management Act (FISMA) as the foundation of effective management operations and internal controls.

FMFIA ANNUAL ASSURANCE PROCESS



In FY 2011, GSA management continued to emphasize the coordination and leveraging of programmatic internal control reviews, financial reporting and system control reviews, acquisition assessment reviews, programmatic risk assessments, and management reviews of the American Recovery and Reinvestment Act (Recovery Act) internal controls and awards. The Recovery Act authorized the Public Buildings Service to invest $5.6 billion in federal building projects. This includes $4.5 billion to transform federal facilities into high-performance green buildings, $750 million to renovate and construct new federal offices and courthouses, and $300 million to construct and renovate border stations. As a result of the Recovery Act funding, GSA implemented risk assessments and internal control methodologies to ensure that Recovery Act funds were awarded and distributed in a manner that was prompt, fair, reasonable, and transparent to the public. These coordinated, risk-based review efforts achieved benefits by leveraging existing core competencies, reducing duplicative reviews, increasing compliance with all applicable laws and regulations, and reducing the internal control review burden on all GSA programs and organizational components.

In FY 2011, the Procurement Management Review (PMR) team collaborated with the Office of the Chief Financial Officer to jointly conduct financial and acquisition reviews in several regions. A portion of these PMR reviews assessed the specific control deficiencies identified by GSA external auditors. Upon completion, all results were presented to management through the GSA Management Control and Oversight Committee as the basis for determining the state of management assurances. Any identified control deficiencies were tracked through a database application and monitored for timely and accurate implementation of corrective actions.

Overall, the Internal Control Program at GSA is functioning soundly and GSA can provide reasonable assurance that internal controls over financial reporting are operating effectively and that there are no material weaknesses relating to the design or operation of internal controls over financial reporting.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT SECTION 4

As required by law, GSA evaluates its financial management systems annually for compliance with federal financial management systems requirements, applicable federal accounting standards, and U.S. Standard General Ledger (USSGL) recording and reporting requirements. GSA evaluated its financial management systems controls and compliance using a consolidated A-123 and A-127 questionnaire, by completing independent systems certification and accreditation reviews, Senior Agency Information Security Officer (SAISO) reports, A-123 reviews, and evaluating risk indicators contained in the FFMIA Compliance Risk Model. Additional compliance review steps included a review of pertinent audit reports issued in FY 2011, a review of the current status of prior year systems-related issues, and discussions with senior managers and auditors regarding the details of pertinent systems-related control issues. Taken as a whole, GSA is confident that these systems-related review activities provide a sufficient basis for assessing Agency compliance with Section 4 of FMFIA and FFMIA requirements.

Based on all review work performed in FY 2011, Agency management believes that GSA is in substantial compliance with the requirements referred to in Section 4 of FMFIA. This conclusion is supported by actions completed in the past year to enhance financial reporting and information technology (IT) systems controls. For example, in FY 2011 more than 108 actions were completed to fully or partially resolve financial systems related issues and findings. These conditions related to general and application controls for several GSA financial management systems.

Several significant improvements were made by GSA in FY 2011 to strengthen GSA IT systems controls in the areas of segregation of duties, and logging and monitoring controls. Despite this significant progress, external audit results indicated that additional actions are needed to improve system access control and audit logging for certain IT systems. Accordingly, GSA will focus on taking the following short-term and long-term actions to continue to enhance its managerial, operational, and technical systems controls for critical program and financial management systems:

1. Strengthening account termination procedures;
2. Redesigning access control procedures and forms;

3. Implementing automated access control forms management;
4. Adding more financial management applications to the Enterprise Access Request System that automates access requests and approvals and provides audit tracking; and
5. Automating the process for logging and monitoring operating systems.

In assessing compliance with FFMIA, GSA adheres to the revised implementation guidance provided by OMB and considers the results of GSA Office of the Inspector General and U.S. Government Accountability Office audit reports, annual financial statement audits, FISMA compliance reviews, risk assessments, and other systems-related review and monitoring activities.

Based on all information assessed, the Administrator has determined that GSA financial management systems are in substantial compliance with FFMIA requirements for FY 2011.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

FISMA requires federal agencies to implement a mandatory set of processes and system controls to ensure the confidentiality, integrity, and availability of system-related information. The processes and systems controls in each federal agency must follow a set of established Federal Information Processing Standards, National Institute of Standards and Technology standards, and other legislative requirements pertaining to federal information systems, such as the Privacy Act of 1974.

To ensure compliance with FISMA, GSA maintains a formalized program for information security management that is focused on meeting FISMA requirements, protecting GSA IT resources, and thereby, supporting the GSA mission. This program is supported by a set of established policies, procedures, and processes to mitigate new threats and anticipate risks posed by new technologies. Designated GSA information system security managers and information system security officers ensure that information security requirements are implemented in accordance with FISMA requirements and GSA policies.

In FY 2011, GSA continued to strengthen its security posture by implementing an automated Security Content Automation Protocol compliant, continuous monitoring solutions that integrate with the Department of Homeland Security's CyberScope application. GSA performs automated configuration, inventory, and vulnerability management across 20,000 assets and/or devices. In addition, the agency has implemented a Security Incident and Event Management capability to support the incident management program. Penetration testing and software code reviews continue to be emphasized.

GSA continues to address weaknesses identified in its Plan of Action and Milestones. GSA provided security and privacy awareness training for over 16,000 employees and contractors. Privacy Impact Assessments were completed on all applicable systems, and GSA continues to implement the provisions in OMB M-06-15, *Safeguarding Personally Identifiable Information*.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

Strategic Overview

The Chief Financial Officers Act assigns clear responsibilities for planning, developing, maintaining, and integrating financial management systems within federal agencies. As depicted on the Financial Management Systems Framework chart on page 26, GSA currently maintains a core accounting system, Pegasys; E-Payroll applications; portions of its legacy core accounting system, National Electronic and Accounting Reporting (NEAR); and general support systems which operate on a variety of hosting platforms to support various feeder applications.

GSA financial systems strategies for the future include:

1. Retiring NEAR by transferring billing and accounts receivable and other remaining functionality to Pegasys;
2. Implementing subsequent phases of the Common Government-wide Accounting Classification structure;
3. Enhancing E-Payroll system capabilities; and
4. Streamlining, consolidating, and modernizing financially-oriented general support systems.

These strategies support GSA financial management system goals of reducing financial system operating and maintenance costs, enhancing compliance and IT security controls, and improving financial management and human resource system service offerings as a shared service provider of Human Resources and Financial Management services to other government agencies.

Ongoing Financial System Initiatives

To achieve these strategic goals, GSA continued to make substantial progress in financial systems modernization and improvement efforts in pursuit of its targeted financial management systems framework.

Major efforts include:

1. Replacing Billing and Accounts Receivable functionality

The objective of the project to implement the Billing and Accounts Receivable (BAAR) modules in Pegasys is to retire and replace NEAR system functionality. NEAR generated 27 different types of billings to support GSA business lines and performed one of the more complex accounting processes involving $18.5 billion in billings, 2.4 million records, and 70 different sources of revenue.

In FY 2011, Phase 1 of the BAAR project which included rent bills for the Public Buildings Service and fleet bills for the Federal Acquisition Service was successfully placed into production. The benefits from BAAR include:

- Reduced 27 bill formats into four standardized formats;
- Increased billing and accounts receivable standardization;
- Increased efficiencies by eliminating labor-intensive and redundant processes;
- Secure customer access to paying bills, billing and discrepancy information, billing history information, and customer bills and statements;
- Improved capabilities for bill delinquency management; and
- Provided online access to bills and dispute resolution using Vendor and Customer Self Service (VCSS).

2. Implementing the Common Government-wide Accounting Classification (CGAC) structure

In FY 2011, GSA made considerable progress in converting to the new CGAC-compliant sub-object class coding structure. Remaining implementation efforts will be completed over two additional project phases.

Once fully implemented, this accounting system change will standardize and streamline data capture, promote a consistent basis to compare and measure performance, and enhance the reliability and efficiency of mandated reporting and reporting to support decision making.

3. Enhancing E-Payroll Applications to support the Human Resources Line of Business

To support customer needs and the Human Resources Line of Business, GSA is enhancing its Electronic Time and Attendance Management System (ETAMS) by automating the submission of leave and overtime data and ensuring that all E-Payroll applications are fully Section 508 compliant.

The Authorized Leave and Overtime Help Application (ALOHA) will provide employees a single entry point to request leave and premium pay via the web. Approvers will log-on to approve, deny, or cancel submitted requests. System users are notified by e-mail of request approvals and rejections. Timekeepers may submit and access the requests on behalf of those within their area of responsibility if authorized by their organization to perform these functions.

GSA has started limited internal testing for ALOHA to provide initial feedback and functional review. During FY 2012, GSA will implement ALOHA incrementally across the agency with a full launch to external clients by the end of the year.

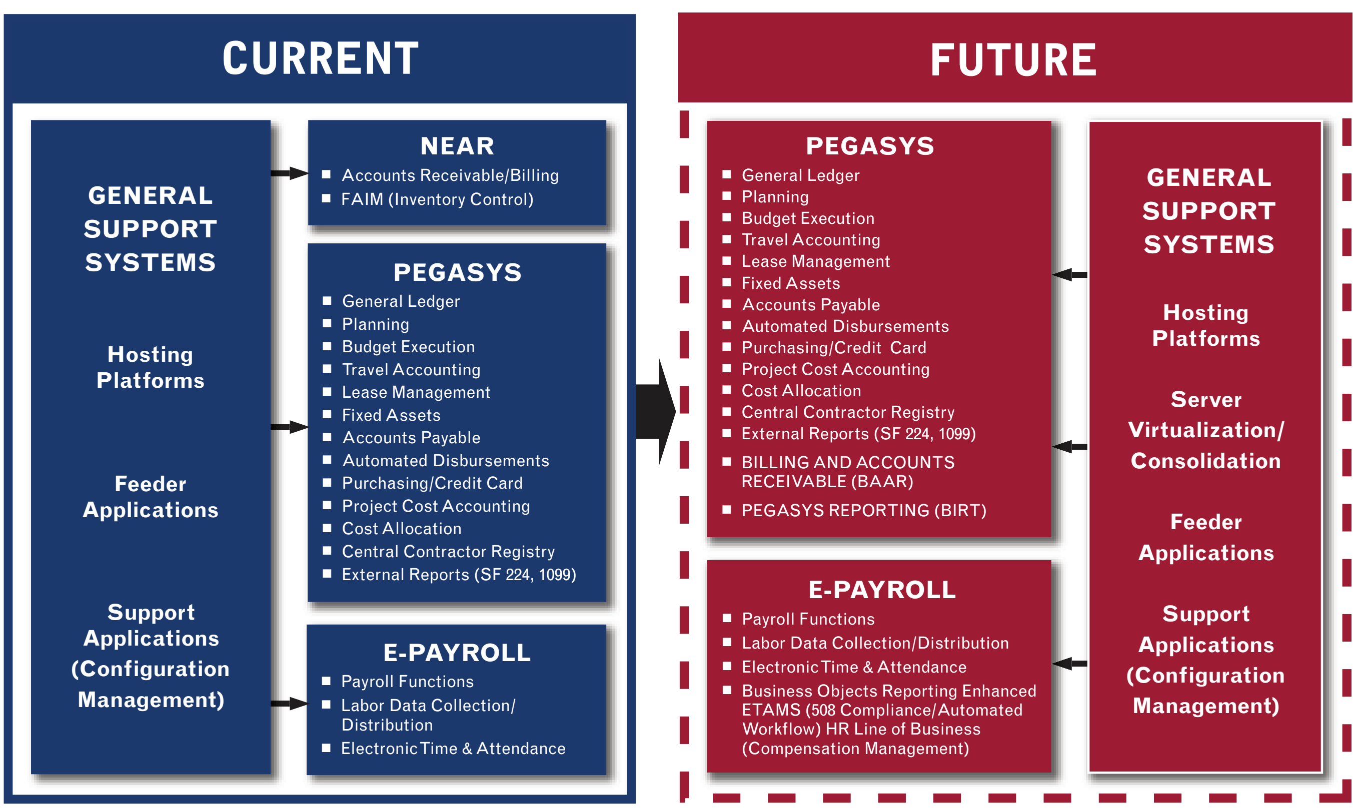
4. Streamlining and modernizing financial general support systems

To realize the targeted systems framework for financial general support systems, GSA plans to continue consolidating its hosting platforms and data centers for financial system, reduce its footprint by consolidating and implementing virtualization technology, reduce the number of servers required to support financial systems, and continue to decommission several of its smaller and older legacy financial management systems.

In FY 2011, considerable progress was made to modernize hosting platforms; consolidate data centers; decommission 55 Business Objects universes; eliminate 107 reports; reduce Performance Management Tool (PMT) metrics from 1,400 to 2; retire 11 legacy financial support applications; and reduce the footprint of hosting platforms by eliminating the need for 90 servers, thereby substantially reducing maintenance and energy costs.

The anticipated benefits of these actions include reduced costs, increased efficiency, a smaller environmental footprint, improved customer service, and increased system modernization and integration in a highly-secure processing environment.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK



Financial Section

LETTER FROM THE CHIEF FINANCIAL OFFICER

In FY 2011, GSA received an unqualified "clean" audit opinion on its financial statements. Although GSA has no material weaknesses, we continue to address our five significant deficiencies. We established accounting policies that we believe will eliminate two of these deficiencies in FY 2012. We also expect to make significant progress in two others. The fifth will be resolved when the Public Buildings Service has a new acquisition system that interfaces with the financial system.

In FY 2011, we implemented Phase I of the Billing and Accounts Receivable (BAAR) modules as part of Pegasys, our core accounting system. When BAAR is fully implemented, it will allow GSA to retire its legacy National Electronic Accounting and Reporting (NEAR) System. Phase I implemented the Fleet and Rent business lines and introduced the Vendor and Customer Self Service (VCSS), which allows customer agencies to access their billing data, balances and details by business line and provides on-line dispute resolution. In addition, Phase I BAAR implementation eliminates annual printing and mailing of over 190,000 bills to GSA customers. The BAAR website, GSA.gov/baar, provides additional information on the project.

Other FY 2011 accomplishments include:

- Converted over 500,000 paper accounting records to electronic files;
- Created a Sustainability Management System that supports GSA in achieving our long-term goal of a Zero Environmental Footprint;
- Developed the first green house gas inventory to baseline and project GSA emissions;
- Achieved a 31 percent reduction in financial management servers, lowering our operating costs and energy consumption; and
- Disbursed over $1.8 billion in Recovery Act Funds.

GSA continues to place an emphasis on reducing and eliminating improper payments. In FY 2011, we identified $13.6 million in improper payments, less than 0.06 percent of the $22.6 billion in total spending reviewed, and recovered $11.8 million of improper payments.

In our FY 2012 Budget Request, we committed to reduce spending. For example, GSA will reduce our travel expenses by $11 million and save another $6 million through the implementation of VOIP telephones. Shipping goods directly from our suppliers to our customers will save an additional $4.6 million.

I am confident that GSA's commitment to operational excellence and customer service will continue to drive improvements throughout our financial management program.

Alison L. Doone

Alison L. Doone
Chief Financial Officer
November 9, 2011

PRINCIPAL FINANCIAL STATEMENTS

U.S. General Services Administration

Consolidating Balance Sheets

As of September 30, 2011 and 2010

(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
ASSETS										
Intragovernmental Assets:										
Fund Balance with Treasury (Notes 1-D, 2)	**$ 9,451**	$ 11,254	**$ 1,224**	$ 1,155	**$ 607**	$ 657	**$ -**	$ -	**$ 11,282**	$ 13,066
Accounts Receivable - Federal, Net (Note 4)	**558**	479	**1,474**	1,262	**4**	3	**25**	22	**2,011**	1,722
Prepaid Expenses and Advances - Federal	**5**	-	**1**	1	**-**	-	**-**	-	**6**	1
Total Intragovernmental	**10,014**	11,733	**2,699**	2,418	**611**	660	**25**	22	**13,299**	14,789
Inventories (Note 1-E)	**-**	6	**207**	215	**-**	-	**-**	-	**207**	221
Accounts Receivable - Public, Net (Note 4)	**21**	20	**105**	97	**25**	25	**-**	-	**151**	142
Other Assets (Note 12)	**105**	48	**-**	16	**-**	7	**-**	4	**105**	67
Property and Equipment (Notes 1-F, 5)										
Buildings	**34,068**	32,509	**-**	-	**-**	-	**-**	-	**34,068**	32,509
Leasehold Improvements	**319**	257	**30**	29	**-**	-	**-**	-	**349**	286
Telecommunications and ADP Equipment	**-**	-	**89**	91	**-**	-	**-**	-	**89**	91
Motor Vehicles	**-**	-	**4,849**	4,654	**-**	-	**-**	-	**4,849**	4,654
Other Equipment	**162**	133	**232**	213	**141**	129	**-**	-	**535**	475
Less: Accumulated Depreciation and Amortization	**(18,062)**	(16,881)	**(1,973)**	(1,836)	**(108)**	(89)	**-**	-	**(20,143)**	(18,806)
Subtotal	**16,487**	16,018	**3,227**	3,151	**33**	40	**-**	-	**19,747**	19,209
Land	**1,547**	1,628	**-**	-	**-**	-	**-**	-	**1,547**	1,628
Construction in Process and Software in Development	**4,426**	2,828	**20**	14	**-**	-	**-**	-	**4,446**	2,842
Total Property and Equipment, Net	**22,460**	20,474	**3,247**	3,165	**33**	40	**-**	-	**25,740**	23,679
Total Assets	**$32,600**	$32,281	**$ 6,258**	$ 5,911	**$ 669**	$ 732	**$ 25**	$ 26	**$ 39,502**	$ 38,898
LIABILITIES AND NET POSITION										
Intragovernmental Liabilities:										
Accounts Payable and Accrued Expenses - Federal	**$ 65**	$ 54	**$ 26**	$ 27	**$ 11**	$ 12	**$ 25**	$ 22	**$ 77**	$ 71
Judgment Fund Liability	**405**	360	**-**	-	**-**	-	**-**	-	**405**	360
Intragovernmental Debt (Notes 6, 11)	**1,898**	1,973	**-**	-	**-**	-	**-**	-	**1,898**	1,973
Other Intragovernmental Liabilities (Notes 9, 11)	**46**	35	**19**	24	**33**	63	**-**	4	**98**	118
Total Intragovernmental	**2,414**	2,422	**45**	51	**44**	75	**25**	26	**2,478**	2,522
Accounts Payable and Accrued Expenses - Public	**1,388**	1,235	**1,264**	1,119	**22**	23	**-**	-	**2,674**	2,377
Environmental and Disposal Liabilities (Notes 5, 10, 11)	**112**	99	**-**	-	**100**	105	**-**	-	**212**	204
Capital Lease and Installment Purchase Liability	**385**	408	**-**	-	**-**	-	**-**	-	**385**	408
Workers' Compensation Actuarial Liability (Notes 7, 11)	**87**	89	**29**	31	**16**	15	**-**	-	**132**	135
Unamortized Rent Abatement Liability	**241**	222	**-**	-	**-**	-	**-**	-	**241**	222
Annual Leave Liability (Notes 1-G, 11)	**56**	55	**34**	33	**22**	22	**-**	-	**112**	110
Deposit Fund Liability	**-**	-	**-**	-	**42**	39	**-**	-	**42**	39
Other Liabilities (Notes 9, 11)	**36**	71	**8**	20	**51**	50	**-**	-	**95**	141
Total Liabilities (Note 10)	**4,719**	4,601	**1,380**	1,254	**297**	329	**25**	26	**6,371**	6,158
NET POSITION (Note 14)										
Cumulative Results of Operations	**25,142**	23,002	**4,878**	4,657	**277**	287	**-**	-	**30,297**	27,946
Unexpended Appropriations	**2,739**	4,678	**-**	-	**95**	116	**-**	-	**2,834**	4,794
Total Net Position	**27,881**	27,680	**4,878**	4,657	**372**	403	**-**	-	**33,131**	32,740
Total Liabilities and Net Position	**$ 32,600**	$ 32,281	**$ 6,258**	$ 5,911	**$ 669**	$ 732	**$ 25**	$ 26	**$ 39,502**	$ 38,898

U.S. General Services Administration

Consolidating Statements of Net Cost

For the Fiscal Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011			2010		
	Revenues	Expenses	Net Revenues from (Cost of) Operations	Revenues	Expenses	Net Revenues from (Cost of) Operations
FEDERAL BUILDINGS FUND:						
Building Operations - Government Owned	**$ 4,566**	**4,292**	**$ 274**	$ 4,390	$ 3,842	$ 548
Building Operations - Leased	**6,437**	**6,570**	**(133)**	6,064	6,189	(125)
Subtotal	**11,003**	**10,862**	**141**	10,454	10,031	423
ACQUISITION SERVICES FUND:						
General Supplies and Services	**1,674**	**1,670**	**4**	1,824	1,789	35
Travel, Motor Vehicles, and Card Services	**1,987**	**1,895**	**92**	2,085	1,987	98
Integrated Technology Services	**1,454**	**1,400**	**54**	1,467	1,456	11
Assisted Acquisition Services	**4,305**	**4,295**	**10**	3,937	3,933	4
Other Programs	**57**	**60**	**(3)**	49	60	(11)
Subtotal	**9,477**	**9,320**	**157**	9,362	9,225	137
OTHER FUNDS:						
Working Capital Fund	**449**	**485**	**(36)**	433	432	1
GSA OE and OGP Funds	**22**	**154**	**(132)**	21	149	(128)
Other Funds	**7**	**151**	**(144)**	49	263	(214)
Subtotal	**478**	**790**	**(312)**	503	844	(341)
INTRA-GSA ELIMINATIONS:						
Less: Intra-GSA Eliminations	**732**	**779**	**(47)**	777	825	(48)
GSA Consolidated Totals	**$ 20,226**	**$ 20,193**	**$ 33**	$ 19,542	$ 19,275	$ 267

U.S. General Services Administration

Consolidating Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2011 and 2010

(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Beginning Balance of Net Position:										
Cumulative Results of Operations	**$ 23,002**	$ 21,084	**$ 4,657**	$ 4,427	**$ 287**	$ 448	**$ -**	$ -	**$ 27,946**	$ 25,959
Unexpended Appropriations	**4,678**	5,648	**-**	-	**116**	144	**-**	-	**4,794**	5,792
Net Position Beginning Balance	**27,680**	26,732	**4,657**	4,427	**403**	592	**-**	-	**32,740**	31,751
Results of Operations:										
Net Revenue From (Cost of) Operations	**141**	423	**157**	137	**(312)**	(341)	**(47)**	(48)	**33**	267
Appropriations Used (Note 1-C)	**1,914**	1,408	**-**	-	**246**	264	**-**	-	**2,160**	1,672
Non-Exchange Revenue (Notes 1-C, 1-D)	**-**	3	**-**	-	**52**	39	**-**	-	**52**	42
Imputed Financing Provided By Others	**85**	89	**58**	59	**30**	35	**47**	48	**126**	135
Transfer of Earnings Paid and Payable to U.S. Treasury	**-**	-	**-**	-	**(32)**	(15)	**-**	-	**(32)**	(15)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**-**	(5)	**5**	34	**10**	(140)	**-**	-	**15**	(111)
Other	**-**	-	**1**	-	**(4)**	(3)	**-**	-	**(3)**	(3)
Net Results of Operations	**2,140**	1,918	**221**	230	**(10)**	(161)	**-**	-	**2,351**	1,987
Changes in Unexpended Appropriations:										
Appropriations Received	**-**	538	**-**	-	**242**	266	**-**	-	**242**	804
Appropriations Used	**(1,914)**	(1,408)	**-**	-	**(246)**	(264)	**-**	-	**(2,160)**	(1,672)
Appropriations Adjustments and Transfers From Other Agencies or Funds	**(25)**	(100)	**-**	-	**(17)**	(30)	**-**	-	**(42)**	(130)
Net Change in Unexpended Appropriations	**(1,939)**	(970)	**-**	-	**(21)**	(28)	**-**	-	**(1,960)**	(998)
Ending Balance of Net Position:										
Cumulative Results of Operations	**25,142**	23,002	**4,878**	4,657	**277**	287	**-**	-	**30,297**	27,946
Unexpended Appropriations	**2,739**	4,678	**-**	-	**95**	116	**-**	-	**2,834**	4,794
Net Position Ending Balance	**$ 27,881**	$ 27,680	**$ 4,878**	$ 4,657	**$ 372**	$ 403	**$ -**	$ -	**$ 33,131**	$ 32,740

U.S. General Services Administration

Combining Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2011 and 2010

(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS	
	2011	2010	2011	2010	2011	2010	2011	2010
BUDGETARY RESOURCES:								
Unobligated Balance, Net - Beginning Balance	**$ 5,936**	$ 9,290	$ 1,750	1,298	**$ 235**	$ 233	**$ 7,921**	$ 10,821
Prior Year Recoveries	**292**	240	**375**	240	**22**	20	**689**	500
Budget Authority:								
Appropriations	**-**	538	**-**	-	**265**	293	**265**	831
Spending Authority:								
Earned Revenue	**11,026**	10,442	**10,613**	10,339	**502**	533	**22,141**	21,314
Change in Unfilled Customer Orders	**738**	906	**407**	764	**(2)**	1	**1,143**	1,671
Previously Unavailable	**1,032**	604	**-**	-	**-**	-	**1,032**	604
Resources Temporarily Not Available	**(2,239)**	(1,032)	**-**	-	**-**	-	**(2,239)**	(1,032)
Transfers	**(96)**	(166)	**-**	-	**(7)**	(6)	**(103)**	(172)
Total Budgetary Resources	**16,689**	20,822	**13,145**	12,641	**1,015**	1,074	**30,849**	34,537
STATUS OF BUDGETARY RESOURCES:								
Obligations Incurred								
Direct								
Category A	**-**	-	**-**	-	**241**	230	**241**	230
Category B	**437**	3,808	**-**	-	**20**	55	**457**	3,863
Reimbursable								
Category A	**-**	-	**10,130**	567	**521**	554	**10,651**	1,121
Category B	**11,006**	11,078	**1,233**	10,324	**-**	-	**12,239**	21,402
Unobligated Balance - Available	**4,683**	5,053	**1,758**	1,736	**105**	99	**6,546**	6,888
Unobligated Balance - Not Available	**563**	883	**24**	14	**128**	136	**715**	1,033
Total Status of Budgetary Resources	**16,689**	20,822	**13,145**	12,641	**1,015**	1,074	**30,849**	34,537
CHANGE IN OBLIGATED BALANCE:								
Obligated Balance, Net - Beginning Balance								
Unpaid Obligations, Oct 1	**8,581**	5,167	**4,933**	4,331	**236**	254	**13,750**	9,752
Less: Uncollected Customer Payments, Oct 1	**(4,265)**	(3,361)	**(5,528)**	(4,657)	**(10)**	(13)	**(9,803)**	(8,031)
Obligations Incurred	**11,443**	14,886	**11,363**	10,891	**782**	839	**23,588**	26,616
Less: Gross Outlays	**(12,664)**	(11,232)	**(10,344)**	(10,049)	**(794)**	(837)	**(23,802)**	(22,118)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	**(292)**	(240)	**(375)**	(240)	**(22)**	(20)	**(689)**	(500)
Change in Uncollected Customer Payments (Increase)/Decrease	**(808)**	(904)	**(607)**	(871)	**1**	3	**(1,414)**	(1,772)
Obligated Balance, Net - End of Period:								
Unpaid Obligations	**7,068**	8,581	**5,577**	4,933	**202**	236	**12,847**	13,750
Less: Uncollected Customer Payments	**(5,073)**	(4,265)	**(6,135)**	(5,528)	**(9)**	(10)	**(11,217)**	(9,803)
NET OUTLAYS:								
Gross Outlays	**12,664**	11,232	**10,344**	10,049	**794**	837	**23,802**	22,118
Less: Offsetting Collections	**(10,956)**	(10,444)	**(10,413)**	(10,232)	**(501)**	(537)	**(21,870)**	(21,213)
Less: Offsetting Receipts	**-**	-	**-**	-	**(42)**	(43)	**(42)**	(43)
Net Outlays	**$ 1,708**	$ 788	**$ (69)**	$ (183)	**$ 251**	$ 257	**$ 1,890**	$ 862

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Years Ended September 30, 2011 and 2010

GSA was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other funds have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF is the primary fund used to record activities of the Federal Acquisition Service (FAS).

GSA's accompanying financial statements include the accounts of all funds which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

Revolving Funds are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The Revolving Funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 16 General Fund accounts of which four are funded by current year appropriations, two by no-year appropriations, three by multi-year appropriations, two cannot incur new obligations, and five budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Budget Clearing Account – Broker Rebates
- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account - Undistributed Intragovernmental Payments
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Presidential Transition
- Government-Wide Policy – Recovery Act
- Office of Inspector General (OIG)

- Office of Inspector General – Recovery Act
- Operating Expenses, GSA
- Operating Expenses, Government-Wide Policy
- Real Property Relocation

Special Funds are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, these Special Funds are classified as earmarked funds. Although immaterial, earmarked fund balances are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. GSA's Special Funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfer of Surplus Real and Related Personal Property

Miscellaneous Receipt and Deposit Fund accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-Federal Sources
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

In the FBF, Electronic Government Fund, and Real Property Relocation Fund, GSA has delegated certain program and financial operations of a portion of these funds to other federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies. Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations and budget apportionments are derived. For FY 2011, GSA has allocation accounts in this regard with the following federal entities: the Departments of Treasury, Commerce, and Homeland Security. In FY 2010, GSA also held an allocation account with the Department of Defense in addition to the federal entities mentioned for FY 2011.

B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with generally accepted accounting principles (GAAP) as promulgated by FASAB, and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, in all material respects. FASAB SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Federal Accounting Standards Board*, established the hierarchy of GAAP for federal financial statements. The Consolidating Statements of Net Cost present the operating results of the FBF, ASF and Other Funds, as well as GSA Consolidated operating results as a whole. The Consolidating Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidating Statements of Changes in Net Position display the changes in equity accounts. The Combining Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA budgetary resources.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Certain prior-year balances have been reclassified to conform to the current year presentation.

On the Consolidating Statements of Net Cost, Consolidating Balance Sheets and Consolidating Statements of Changes in Net Position, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the CSBR. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and related accounts payable accruals and estimates are recorded in the period goods or services are received.

C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA funds on the Consolidating Statements of Net Cost are generated from intragovernmental sales of goods and services, with only 3 percent of revenues earned from non-federal customers.

Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only four percent of operating expenses resulting from purchases from federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-federal customers is generally very insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

- In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies housed in government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method.
- In the ASF, General Supplies and Services revenues are recognized when goods are provided to customers. In the Travel, Motor Vehicle, and Card Services portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. Assisted Acquisition Services revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated $302 million in fees, constituting three percent of ASF revenues in FY 2011, and $294 million, three percent of ASF revenues, in FY 2010. Integrated Technology Services revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.
- In the WCF, revenues are generally recognized when general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidating Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury. Non-Exchange Revenues are reported net of associated bad debt expense on uncollectible accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Consolidating Balance Sheets.

D. Fund Balance with Treasury

This total represents all unexpended balances for GSA accounts with the U.S. Treasury. Amounts in Fund Balance with Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the federal government. Adjustments are only made to those amounts when significant differences are identified.

GSA acts as a disposal agent for surplus federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

E. Inventories

Inventories held for sale to other federal agencies consist primarily of ASF inventories valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another federal agency, sold, or donated to state or local governments.

F. Property and Equipment (See Note 5)

Generally, property and equipment purchases and additions of $10,000 or more, and having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of $50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon completion of the project. The majority of all land, buildings and leasehold improvements are leased to other federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. It is GSA policy to capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Telecommunications and Automated Data Processing (ADP) Equipment are used in operations to perform services for other federal agencies for which billings are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and ADP Equipment, and Other Equipment categories are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other Federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, *Accounting for Internal Use Software*, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is $1 million. For all other funds, it is $250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to 10 years. Capitalized software is reported as an element of Other Equipment on the Consolidating Balance Sheets.

G. Annual, Sick and Other Types of Leave

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

2. FUND BALANCE WITH TREASURY

A. Reconciliation to U.S. Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2011 and 2010.

B. Balances by Fund Type

The most significant amounts for GSA in Fund Balance with Treasury are in the FBF and ASF revolving funds. Within the Other Funds category, Special Receipt, and Special and Trust Expenditure Funds are classified as earmarked funds in accordance with FASAB SFFAS No. 27. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2011	2010
Revolving Funds	**$ 275**	$ 283
Appropriated and General Funds	**113**	139
Clearing Funds	**13**	30
Special Receipt Funds	**126**	127
Special and Trust Expenditure Funds	**38**	39
Deposit Funds	**42**	39
Total Other Funds	**$ 607**	$ 657

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2011 and 2010, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of Fund Balance with Treasury shown below as Unobligated Balance – Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance – Not Available. Also, in two instances, the portion of Fund Balance with Treasury presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized (see Note 6). In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the Fund Balance with Treasury held in Special Receipt, Clearing, and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the Fund Balance with Treasury (dollars in millions):

	Obligated Balance, Net	Unobligated Balance		Total
		Available	Unavailable	
2011				
FBF	**$ 1,997**	**$ 4,652**	**$ 2,802**	**$ 9,451**
ASF	**(558)**	**1,758**	**24**	**1,224**
Others	**193**	**105**	**309**	**607**
Total	**$ 1,632**	**$ 6,515**	**$ 3,135**	**$ 11,282**
2010				
FBF	$ 4,315	$ 5,024	$ 1,915	$ 11,254
ASF	(595)	1,736	14	1,155
Others	226	99	332	657
Total	$ 3,946	$ 6,859	$ 2,261	$ 13,066

D. Availability of Funds

In GSA's earmarked Special Receipt Funds, included in balances of Fund Balance with Treasury, are certain amounts that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program and surplus real property disposals, are subject to transfer upon GSA's determination of the internal working capital needs of these programs. The Fund Balance with Treasury in these funds totaled $126 million and $127 million at September 30, 2011 and 2010, respectively, of which $50 million and $42 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

In FYs 2011 and 2010, $0.4 million and $0.3 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with U.S. Treasury guidelines.

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled $19 million and $29 million at September 30, 2011 and 2010, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled $2,239 million and $1,032 million at September 30, 2011 and 2010, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is allowed to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. At the end of FY 2011 and 2010, management determined that all earnings will be retained in accordance with this process.

3. NON-ENTITY ASSETS

As of September 30, 2011 and 2010, certain amounts reported on the Consolidating Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled $56 million and $69 million, respectively.

4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only seven percent due from non-federal customers. Unbilled accounts receivable result from the delivery of goods, or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs.

In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. The most significant of these notes receivable balances is an $8 million note in the Federal Buildings Fund that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2011 and 2010, accumulated interest on this note totaled $85 million and $74 million, respectively.

A summary of Accounts Receivable is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Accounts Receivable - Billed	**$ 199**	$ 166	**$ 136**	$ 112	**$ 26**	$ 25	**$ -**	$ -	**$ 361**	$ 303
Accounts Receivable - Unbilled	**412**	371	**1,450**	1,257	**3**	3	**25**	22	**1,840**	1,609
Allowance for Doubtful Accounts	**(32)**	(38)	**(7)**	(10)	**-**	-	**-**	-	**(39)**	(48)
Total Accounts Receivable, Net	**$ 579**	$ 499	**$ 1,579**	$ 1,359	**$ 29**	$ 28	**$ 25**	$ 22	**$ 2,162**	$ 1,864

5. PROPERTY AND EQUIPMENT, NET

A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2011 and 2010, are summarized below (dollars in millions):

	2011			2010		
	Cost	**Accumulated Depreciation**	**Net Book Value**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Buildings	**$ 34,068**	**$ 17,772**	**$ 16,296**	$ 32,509	$ 16,599	$ 15,910
Leasehold Improvements	**349**	**230**	**119**	286	222	64
Telecom and ADP Equipment	**89**	**89**	**-**	91	91	-
Motor Vehicles	**4,849**	**1,672**	**3,177**	4,654	1,550	3,104
Other Equipment	**535**	**380**	**155**	475	344	131
Total	**$ 39,890**	**$ 20,143**	**$ 19,747**	$ 38,015	$ 18,806	$ 19,209

B. Cleanup Costs

In the FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with FASAB SFFAS No. 5 and 6, *Accounting for Liabilities of the Federal Government* and *Accounting for Property, Plant, and Equipment*, respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, issued by the FASAB Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements.

Accordingly, GSA recognized liabilities totaling $112 million and $99 million for Environmental and Disposals costs in FYs 2011 and 2010, respectively, for properties currently in GSA's property inventory. In almost all cases, liabilities are associated with cleanup efforts required by CERCLA. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional $14 million and $26 million as of September 30, 2011, and 2010, respectively, of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or federal property inventory. GSA's liability for such cases is further discussed in Note 10.

C. Heritage Assets

The average age of GSA buildings is over 46 years old, and therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the federal government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, *Heritage Assets and Stewardship Land*, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidating Balance Sheets.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 302 buildings on the National Register, up from 298 at the end of FY 2010, of which 96 are designated as National Historical Landmarks. An additional 176 buildings are potentially eligible for listing on the National Register, but have not gone through the formal determination process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for federal use and rehabilitation in accordance with standards established by the DOI.

6. INTRAGOVERNMENTAL DEBT

A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase borrowing authority. Under these agreements, the FBF borrows monies (as advance payments) through the Federal Financing Bank (FFB) or executes lease-to-own contracts to finance the lease purchases. Mortgage loans and construction advances held by the FFB are due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 2.578 percent to 8.561 percent. The program authorizes total expenditures of $1,945 million for 11 projects. In FYs 2011 and 2010, the FFB made advance payments on behalf of GSA totaling $1 million and $7 million, respectively. As of September 30, 2011 and 2010, $29 million and $30 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments.

B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of $738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB is now recorded. Mortgage loans for the RRB are due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent.

No additional amounts are anticipated to be borrowed under this authority.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2011, and 2010, were as follows (dollars in millions):

	2011	2010
Lease Purchase Debt	**$ 1,291**	$ 1,344
Pennsylvania Avenue Debt	**607**	629
Total GSA Debt	**$ 1,898**	$ 1,973

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities at the end of FY 2011 are as follows (dollars in millions):

AGGREGATE DEBT MATURITIES

Fiscal Year	Lease Purchase Debt	PA Ave Debt	Total
2012	$ 58	$ 23	$ 81
2013	62	25	87
2014	66	26	92
2015	70	28	98
2016	75	30	105
2017 and thereafter	960	475	1,435
Total future aggregate debt maturities	$ 1,291	$ 607	$1,898

7. WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of FY 2011 was calculated by DOL using a discount rate of 3.535 percent for FY 2011, and 4.025 percent for FY 2012 and thereafter. At the end of FY 2010, the discount rate used was 3.653 percent for FY 2010, and 4.300 percent for FY 2011 and thereafter. At September 30, 2011 and 2010, GSA's actuarial liability totaled $132 million and $135 million, respectively.

8. LEASING ARRANGEMENTS

As of September 30, 2011, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. GSA also uses a small volume of operating leases of vehicles in the ASF to fill demand when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES

FISCAL YEAR	TOTAL
2012	$ 4,696
2013	4,035
2014	3,461
2015	2,947
2016	2,429
2017 and thereafter	9,101
Total future minimum lease payments	$ 26,669

CAPITAL LEASES

FISCAL YEAR	FBF
2012	$ 32
2013	31
2014	31
2015	31
2016	32
2017 and thereafter	146
Total future minimum lease payments	303
Less: Amounts representing-	
Interest	83
Executory Costs	2
Total obligations under capital leases	$ 218

Substantially all leased space maintained by the FBF is sublet to other federal agencies at rent charges to recover GSA's cost of that space. The majority of agreements covering the sublease arrangements allow customer agencies to terminate the sublease at any time. In those cases GSA believes the subleases will continue without interruption. In some instances agreements with customers include non-cancellation clauses. The following is a schedule of future minimum rentals due GSA under such non-cancellable agreements (dollars in millions):

OPERATING LEASE RENTALS

FISCAL YEAR	TOTAL
2012	$ 595
2013	523
2014	453
2015	411
2016	376
2017 and thereafter	2,134
Total future minimum lease rentals	$ 4,492

For three of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. For these arrangements, classified as direct financing leases, GSA carried a balance in investments in capital leases of $61 million, and a residual balance in deferred revenues of $23 million as of September 30, 2011. The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

DIRECT FINANCING LEASE RENTALS

FISCAL YEAR	TOTAL
2012	$ 4
2013	4
2014	4
2015	4
2016	4
2017 and thereafter	41
Total future minimum lease rentals	$ 61

Rental income under subleasing agreements and related reimbursable arrangements approximated $6.4 billion and $6 billion for the FYs ended September 30, 2011 and 2010, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately $5.4 billion and $5.3 billion in FYs 2011 and 2010, respectively. The Consolidating Balance Sheets as of September 30, 2011 and 2010, include capital lease assets of $363 million in both fiscal years, for buildings. Aggregate accumulated amortization on such structures totaled $223 million and $176 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

9. OTHER LIABILITIES

As of September 30, 2011 and 2010, the components of amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Other Intragovernmental Liabilities:										
Workers' Compensation Due to DOL	**$ 20**	$ 21	**$ 7**	$ 8	**$ 4**	$ 3	**$ -**	$ -	**$ 31**	$ 32
Federal Benefit Withholdings	**3**	8	**2**	3	**1**	3	**-**	-	**6**	14
Deposits in Clearing Funds	**-**	-	**-**	-	**13**	30	**-**	-	**13**	30
Earnings Payable to Treasury	**-**	-	**-**	-	**15**	22	**-**	-	**15**	22
Deferred Revenues/Advances - Federal	**23**	6	**10**	13	**-**	5	**-**	4	**33**	20
Total	**$ 46**	$ 35	**$ 19**	$ 24	**$ 33**	$ 63	**$ -**	$ 4	**$ 98**	$ 118
Other Liabilities:										
Salaries and Benefits Payable	**$ 13**	$ 34	**$ 8**	$ 19	**$ 4**	$ 14	**$ -**	$ -	**$ 25**	$ 67
Deferred Revenues/Advances from the Public	**7**	1	**-**	1	**37**	28	**-**	-	**44**	30
Contingencies	**16**	36	**-**	-	**-**	-	**-**	-	**16**	36
Pensions for Former Presidents	**-**	-	**-**	-	**10**	8	**-**	-	**10**	8
Total	**$ 36**	$ 71	**$ 8**	$ 20	**$ 51**	$ 50	**$ -**	$ -	**$ 95**	$ 141

10. COMMITMENTS AND CONTINGENCIES

A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 8, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2011 and 2010, were as follows (dollars in millions):

	2011	2010
FBF	**$ 5,596**	$ 7,235
ASF	**4,272**	3,742
Other Funds	**164**	185
Total Undelivered Orders	**$ 10,032**	$ 11,162

In FY 2007, GSA awarded eight contracts for world-wide telecommunications and network services (Networx Universal and Networx Enterprise) to replace the previous FTS2001 contracts, and to provide voice, wireless, IP, satellite, and related telecommunications services for the federal community. These contracts are primarily funded through the ASF Integrated Technology Services portfolio. The contracts provide minimum revenue guarantees totaling $575 million, of which $90 million and $258 million remained outstanding as of September 30, 2011 and 2010, respectively. Given the value of services GSA estimates it will procure over the 10 year life of these contracts, management considers the risk of not meeting the minimum revenue guarantees to be remote.

B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury's Judgment Fund, as discussed below.

- As of September 30, 2011 and 2010, GSA recorded liabilities in total of $15 million and $34 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses.

  In addition, GSA has contingencies ranging from $25 million to $67 million as of September 30, 2011, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies. At September 30, 2010 reasonably possible claims ranged from $29 million to $75 million.

  In many cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

- In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice (DOJ), and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, costs incurred by the federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported $101 million and $107 million in FYs 2011 and 2010, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, approximately $100 million and $105 million result from several environmental cases outstanding at the end of FYs 2011 and 2010, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, ranged from $208 million to $306 million at September 30, 2011 and ranged from $210 million to $307 million at September 30, 2010.

The recognition of claims to be funded through the Judgment Fund on GSA Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the federal government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were $51 million and $38 million in FYs 2011 and 2010, respectively. Of these amounts, $45 million and $25 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

11. UNFUNDED LIABILITIES

As of September 30, 2011 and 2010, budgetary resources were not yet available to fund certain liabilities reported on the Consolidating Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

	2011	2010
Judgment Fund Liability	**$ 405**	$ 360
Intragovernmental Debt	**2**	6
Other Intragovernmental Liabilities	**59**	84
Capital Lease and Installment Purchase Liability	**368**	390
Workers' Compensation Actuarial Liabilities	**132**	135
Environmental and Disposal	**212**	204
Annual Leave Liability	**112**	110
Other Liabilities	**26**	44
Total Liabilities Not Covered By Budgetary Resources	**$1,316**	$ 1,333

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to do so. Such balances include: 1) amounts reported in the Consolidating Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 9; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 9.

12. OTHER ASSETS

As of September 30, 2011 and 2010, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Investments in Capital Leases	**$ 61**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 61**	$ -
Unamortized Deferred Charges and Prepayments	**34**	37	**-**	16	**-**	-	**-**	4	**34**	49
Artworks	**5**	5	**-**	-	**-**	-	**-**	-	**5**	5
Miscellaneous	**5**	6	**-**	-	**-**	7	**-**	-	**5**	13
Total Other Assets	**$ 105**	$ 48	**$ -**	$ 16	**$ -**	$ 7	**$ -**	$ 4	**$ 105**	$ 67

13. RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2012 President's Budget, which contains FY 2010 financial statement results. The FY 2013 President's Budget, containing FY 2011 actual results is expected to be released in February 2012 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget.

The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Small rounding differences can exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2010 CSBR and FY 2012 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

	FBF		ASF		OTHER FUNDS		TOTAL GSA		
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	$ 21,854	$ 21,854	$ 12,641	$ 12,642	$ 1,074	$ 1,045	**$ 35,569**	**$ 35,541**	**$ 28**
Obligations Incurred	14,886	14,886	10,891	10,891	839	839	**26,616**	**26,616**	-
Unobligated Balances	6,968	6,968	1,750	1,751	235	208	**8,953**	**8,927**	**26**
Balance of Obligations	4,316	4,317	(595)	(596)	226	225	**3,947**	**3,946**	**1**
Outlays	788	788	(183)	(183)	257	299	**862**	**904**	**(42)**

	BUDGETARY RESOURCES	OBLIGATIONS INCURRED	UNOBLIGATED BALANCE	OBLIGATED BALANCE	NET OUTLAYS
Combined Statement of Budgetary Resources	$ 35,569	$ 26,616	$ 8,953	$ 3,947	$ 862
Expired Funds, Not Reflected in the Budget	(30)	-	(29)	-	-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-	43
Rounding	2	-	3	(1)	(1)
Budget of the U.S. Government	$ 35,541	$ 26,616	$ 8,927	$ 3,946	$ 904

14. COMBINING STATEMENTS OF BUDGETARY RESOURCES

The CSBR presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, which identifies budgetary resources available for spending, the status of those resources, and the relationship between obligated balances and outlays (see Note 13). In consolidated reporting by OMB and the Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA funds on a fund-by-fund basis, unique budget control levels (such as programs, budget activities or projects) are established. These levels are based on legislative limitations, OMB apportionment limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the upward and downward adjustments would be reported on the corresponding lines of the CSBR.

15. CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidating Balance Sheets include immaterial balances of earmarked funds as defined in FASAB SFFAS No. 27, which totaled $135 million and $138 million as of September 30, 2011 and 2010, respectively. As further discussed in Notes 1 and 2, earmarked balances are those reported in GSA Special Funds, within the Other Funds display on the Consolidating Balance Sheets.

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations.

Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2011 and 2010, balances reported as unexpended appropriations were as follows (dollars in millions):

	FBF	OTHER FUNDS	TOTAL GSA
2011			
Unobligated Balances:			
Available	**$ 51**	**$ 24**	**$ 75**
Unavailable	**-**	**20**	**20**
Undelivered Orders	**2,688**	**53**	**2,741**
Unfilled Customer Orders	**-**	**(2)**	**(2)**
Total Unexpended Appropriations	**$ 2,739**	**$ 95**	**$ 2,834**
2010			
Unobligated Balances:			
Available	$ 408	$ 43	$ 451
Unavailable	-	17	17
Undelivered Orders	4,270	59	4,329
Unfilled Customer Orders	-	(3)	(3)
Total Unexpended Appropriations	$ 4,678	$ 116	$ 4,794

16. EMPLOYEE BENEFIT PLANS

A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of OPM. Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While contributions submitted by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for the amount of agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

B. Civil Service Retirement System

At the end of FY 2011, 17.2 percent (down from 19.5 percent in FY 2010) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees totaled $16 million and $19 million in FYs 2011 and 2010, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2011, 82.3 percent (up from 79.8 percent in FY 2010) of GSA employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the federal government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to $16,500 in their TSP account in both calendar years 2011 and 2010. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. Total contributions made on behalf of an employee cannot exceed $49,000 in a calendar year. During FYs 2011and 2010, GSA (employer) contributions to FERS (25.7 percent of base pay for law enforcement employees and 11.7 percent for all others) totaled $108 million and $97 million, respectively. Additional GSA contributions to the TSP totaled $41 million and $38 million in FYs 2011 and 2010, respectively.

D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to $106,800 in both calendar years 2011 and 2010) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2011. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2011. In FYs 2011 and 2010, 0.5 percent and 0.7 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs in FYs 2011 and 2010, amounted to $74 million and $70 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2011 and 2010, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/ LIFE INSURANCE	TOTAL
2011			
FBF	$ 22	$ 38	$ 60
ASF	17	21	38
Other Funds	11	12	23
Total	$ 50	$ 71	$ 121
2010			
FBF	$ 25	$ 37	$ 62
ASF	18	20	38
Other Funds	12	12	24
Total	$ 55	$ 69	$ 124

17. RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidating Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidating Statements of Net Cost for the fiscal years ending on September 30, 2011 and 2010 (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
RESOURCES USED TO FINANCE ACTIVITIES										
Obligations Incurred	**$ 11,443**	$ 14,886	**$ 11,363**	$ 10,891	**$ 782**	$ 839	**$ -**	$ -	**$ 23,588**	$ 26,616
Less: Spending Authority From Offsetting Collections and Adjustments	**(12,056)**	(11,588)	**(11,395)**	(11,343)	**(522)**	(554)	**-**	-	**(23,973)**	(23,485)
Financing Imputed for Cost Subsidies	**85**	89	**58**	59	**30**	35	**47**	48	**126**	135
Other	**(61)**	2	**(12)**	(52)	**48**	186	**-**	-	**(25)**	136
Total Resources Used to Finance Activities	**(589)**	3,389	**14**	(445)	**338**	506	**47**	48	**(284)**	3,402
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**1,636**	(3,385)	**(515)**	(514)	**21**	(4)	**-**	-	**1,142**	(3,903)
Increase/(Decrease) in Unfilled Customer Orders	**738**	906	**407**	764	**(2)**	1	**-**	-	**1,143**	1,671
Costs Capitalized on the Balance Sheet	**(3,328)**	(2,576)	**(838)**	(730)	**(14)**	(99)	**-**	-	**(4,180)**	(3,405)
Financing Sources Funding Prior Year Costs	**(33)**	(29)	**5**	34	**(5)**	(138)	**-**	-	**(33)**	(133)
Other	**27**	3	**(2)**	(7)	**(45)**	(47)	**-**	-	**(20)**	(51)
Total Resources Used That Are Not Part of the Net Cost of Operations	**(960)**	(5,081)	**(943)**	(453)	**(45)**	(287)	**-**	-	**(1,948)**	(5,821)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS										
Depreciation and Amortization	**1,272**	1,186	**494**	489	**19**	14	**-**	-	**1,785**	1,689
Net Book Value of Property Sold	**71**	14	**277**	271	**2**	6	**-**	-	**350**	291
Other	**9**	(4)	**1**	-	**-**	1	**-**	-	**10**	(3)
Total Costs Financed by Resources Received in Prior Periods	**1,352**	1,196	**772**	760	**21**	21	**-**	-	**2,145**	1,977
COSTS REQUIRING RESOURCES IN FUTURE PERIODS										
Unfunded Capitalized Costs	**57**	24	**-**	-	**-**	-	**-**	-	**57**	24
Unfunded Current Expenses	**(1)**	49	**-**	1	**(2)**	101	**-**	-	**(3)**	151
Total Costs Requiring Resources in Future Periods	**56**	73	**-**	1	**(2)**	101	**-**	-	**54**	175
Net (Revenues From) Cost of Operations	**$ (141)**	$ (423)	**$ (157)**	$ (137)	**$ 312**	$ 341	**$ 47**	$ 48	**$ (33)**	$ (267)

18. AMERICAN RECOVERY AND REINVESTMENT ACT

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provided significant additional resources to GSA in FY 2009. Primarily, these resources came from direct appropriations provided in the Recovery Act, as well as an increased volume of reimbursable agreements, as GSA programs provide procurement assistance to other organizations and agencies to help them expedite implementation of their Recovery Act responsibilities. While the execution of most activities follows standard federal accounting treatment, some of the activities required in the Recovery Act are unique. The GSA Recovery Act program to procure and distribute energy efficient motor vehicles to federal agencies involved procurement of new vehicles in exchange for an agency's old or less efficient vehicles.

GSA acquisitions of new vehicles are initially classified as Other Assets on the Consolidating Balance Sheets, and then are recognized as being transferred to the designated agencies when the exchange of vehicles occurs. The transfers-out are reflected on the Consolidating Statements of Net Position. When GSA sold the old vehicles, proceeds were retained as a reimbursement to the applicable fund, providing resources that were used for additional vehicles. During FY 2011 GSA completed all activities related to the vehicle procurement program. The following table displays the activity of this program over its 3-year life (dollars in millions):

ARRA VEHICLES	2009	2010	2011	TOTAL
Purchases of New Vehicles	$ 268	$ 75	$ -	$ 343
Transfers to Participating Agencies	160	178	5	343

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE

As of the end of FY 2011, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines "acceptable condition" and "acceptable level of service" in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act (GPRA) of 1993, as amended.

GSA expenses normal repair and maintenance costs as incurred. GSA has no substantive backlog of deferred maintenance costs as defined by FASAB SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, which is intended to report only maintenance items that would be expensed through the normal course of business.

GSA also utilizes a Physical Condition Survey (PCS) tool for determining the amount of all repairs and alterations needed to correct current major building component and systems deficiencies and restore its owned buildings (and certain leased buildings, where GSA has responsibility for repairs and alterations) to an acceptable condition, as well as repair and alterations that will be needed in the next several years. The surveys are conducted biannually to inspect and electronically document such conditions, with approximately half of the building inventory being surveyed each year. In correcting deficiencies, the substantial majority of work to be performed will result in capitalizable improvement projects, as major components are replaced and usually significantly upgraded with new equipment or structural elements that also extend the original life of the buildings. While capitalized improvements are excluded from the SFFAS No. 6 definition of deferred maintenance, there is great similarity between capitalized and expensed projects from the asset management and resource planning perspectives. The PCS captures costs for all repair and alterations projects, both capitalizable and expensable. Estimates of the total dollar value needed to correct deficiencies and make improvements are identified in the PCS and separated into the following four time frame categories for scheduling and resource planning: immediate, within 1 to 2 years, within 3 to 5 years, and more than 5 years. The estimates for projects categorized as work to be performed immediately or within 1 to 2 years are considered to be the current need to restore or maintain acceptable condition for the building inventory. At the end of fiscal year 2011, the current need identified in PCS totaled approximately $3.3 billion. This is further broken down into immediate needs of $1.3 billion, and needs within 1 to 2 years of $2 billion.

SUPPLEMENTAL SCHEDULE OF BUDGETARY RESOURCES

In its principal financial statements, balances reported for the FBF includes activities funded by appropriations provided by the ARRA. To provide distinct budgetary and financial visibility of ARRA activities, a separate Treasury Account Fund Symbol (TAFS) was created for the FBF ARRA activities to allow tracking and distinction from the main TAFS used for the FBF. As the FBF ARRA activities are a very significant component of the total FBF budgetary results, below is a schedule showing the activities of the individual TAFS for the years ended September 30, 2011 and 2010 (dollars in millions):

	FBF – MAIN ACCOUNT		FBF – ARRA		FBF TOTAL	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Budgetary Resources:						
Unobligated Balance, Net – Beginning Balance	**$ 5,584**	5,138	**$ 352**	$ 4,152	**$ 5,936**	$ 9,290
Prior Year Recoveries	**212**	233	**80**	7	**292**	240
Budget Authority:						
Appropriations	**-**	538	**-**	-	**-**	538
Spending Authority:						
Earned Revenue	**11,026**	10,442	**-**	-	**11,026**	10,442
Change in Unfilled Customer Orders	**738**	906	**-**	-	**738**	906
Previously Unavailable	**1,032**	604	**-**	-	**1,032**	604
Resources Temporarily Not Available	**(2,239)**	(1,032)	**-**	-	**(2,239)**	(1,032)
Transfers	**(96)**	(166)	**-**	-	**(96)**	(166)
Total Budgetary Resources	**16,257**	16,663	**432**	4,159	**16,689**	20,822
Status of Budgetary Resources:						
Obligations Incurred						
Direct						
Category B	**8**	-	**429**	3,808	**437**	3,808
Reimbursable						
Category A	**-**	-	**-**	-	**-**	-
Category B	**11,006**	11,078	**-**	-	**11,006**	11,078
Unobligated Balance – Available	**4,680**	4,702	**3**	351	**4,683**	5,053
Unobligated Balance – Unavailable	**563**	883	**-**	-	**563**	883
Total Status of Budgetary Resources	**16,257**	16,663	**432**	4,159	**16,689**	20,822
Change in Obligated Balance:						
Obligated Balance, Net – Beginning Balance Unpaid Obligations, Oct 1	**4,297**	3,820	**4,284**	1,347	**8,581**	5,167
Less: Uncollected Customer Payments, Oct 1	**(4,265)**	(3,361)	**-**	-	**(4,265)**	(3,361)
Obligations Incurred	**11,014**	11,078	**429**	3,808	**11,443**	14,886
Less: Gross Outlays	**(10,791)**	(10,369)	**(1,873)**	(863)	**(12,664)**	(11,232)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	**(212)**	(233)	**(80)**	(7)	**(292)**	(240)
Change in Uncollected Customer Payments (Increase) / Decrease	**(808)**	(904)	**-**	-	**(808)**	(904)
Obligated Balance, Net – End of Period: Unpaid Obligations	**4,308**	4,296	**2,760**	4,285	**7,068**	8,581
Less: Uncollected Customer Payments	**(5,073)**	(4,265)	**-**	-	**(5,073)**	(4,265)
Net Outlays						
Gross Outlays	**10,791**	10,369	**1,873**	863	**12,664**	11,232
Less: Offsetting Collections	**(10,956)**	(10,444)	**-**	-	**(10,956)**	(10,444)
Net Outlays	**$ (165)**	$ (75)	**$ 1,873**	$ 863	**$ 1,708**	$ 788

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

NOV 10 2011

MEMORANDUM FOR MARTHA N. JOHNSON
ADMINISTRATOR (A)

ALISON L. DOONE
CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal Year 2011 Financial Statements

The Office of Inspector General (OIG) administered a contract with KPMG LLP (KPMG) to audit the financial statements of the General Services Administration (GSA) for the fiscal year ended September 30, 2011. The purpose of this audit was to express opinions on GSA's consolidated financial statements and the balance sheets for the Federal Buildings Fund and the Acquisition Services Fund. The audit also evaluated internal controls over financial reporting and tested GSA's compliance with certain laws and regulations. The OIG does not express opinions on GSA's financial statements and related internal controls. In addition, we do not opine as to whether GSA's financial management systems substantially comply with Federal Financial Management Improvement Act of 1996 (FFMIA), nor do we reach conclusions on compliance with laws and regulations. Attached is a copy of KPMG's report.

KPMG's contract required that the audit be completed in accordance with the following criteria: U.S. generally accepted government auditing standards; Office of Management and Budget audit guidance; and the requirements set forth in the Government Accountability Office / Council of the Inspectors General on Integrity and Efficiency *Financial Audit Manual*. KPMG is responsible for the attached auditor's report dated November 9, 2011, and the conclusions expressed therein.

In its audit, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- There were no material weaknesses in internal controls over financial reporting.
- No instances in which the entity's financial management systems did not substantially comply with the requirements of FFMIA.

1800 F Street, NW, Washington, DC 20405-0002

However, KPMG identified the following significant matters:

- Weaknesses in the effectiveness of controls over GSA's budgetary accounts and transactions.
- Weaknesses relating to GSA's controls over the accounting for and reporting of general property and equipment.
- Weaknesses in the effectiveness of controls over GSA's accounting for and reporting of environmental liabilities.
- Weaknesses in controls over the revenue and expense recognition polices in the Acquisition Services Fund.
- Weaknesses in general controls over financial management systems.

The Office of Inspector General appreciates the courtesies and cooperation extended to KPMG and to our audit staff during the audit. If you or your staff has any questions, please contact Theodore R. Stehney, Assistant Inspector General for Auditing at (202) 501-0374.

Attachments

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

Inspector General,
United States General Services Administration:

We have audited the consolidated totals in the accompanying consolidating balance sheets of the United States General Services Administration (GSA) as of September 30, 2011 and 2010, and the related consolidated totals on the accompanying consolidating statements of net cost and changes in net position, and the combined totals in the combining statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. We have also audited the individual balance sheets of the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF) (hereinafter referred to as the "Funds") as of September 30, 2011 and 2010 and the related individual statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as the Funds' "individual financial statements") for the years then ended.

The objective of our audits was to express opinions on the fair presentation of the GSA's consolidated financial statements and the Funds' individual financial statements. In connection with our fiscal year 2011 audit, we also considered GSA's internal control over financial reporting and tested GSA's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the GSA's consolidated financial statements and the Funds' individual financial statements.

Summary

As stated in our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements, we concluded that the GSA's consolidated financial statements and the Funds' individual financial statements as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as defined in the Internal Control Over Financial Reporting section of this report, as follows:

A. Controls over budgetary accounts and transactions should be strengthened

B. Controls over accounting and reporting of general property and equipment should be strengthened

C. Controls over accounting and reporting of environmental liabilities should be strengthened

D. Controls over revenue and expense recognition policies in the Federal Acquisition Services Fund should be strengthened

E. General controls over financial management systems should be strengthened

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended.

The Office of Inspector General identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters have been referred to GSA management and are currently under review by GSA's Office of General Counsel. A final determination has not yet been made and therefore the outcome of these matters is not presently known.

The following sections discuss our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements; our consideration of GSA's internal control over financial reporting; our tests of GSA's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

Opinions on the Financial Statements

We have audited the consolidated totals in the accompanying consolidating balance sheets of the United States General Services Administration as of September 30, 2011 and 2010, and the related consolidated totals on the accompanying consolidating statements of net cost and changes in net position, and the combined totals in the combining statements of budgetary resources for the years then ended. We have also audited the individual balance sheets of the Funds as of September 30, 2011 and 2010 and the related individual statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GSA and the financial position of each of the Funds as of September 30, 2011 and 2010 and the consolidated and individual Funds' net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis section and the Required Supplementary Information in the Financial section of GSA's *2011 Agency Financial Report* is not a required part of the GSA's consolidated and Funds' individual financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the GSA's consolidated financial statements and the Funds' individual financial statements taken as a whole. The September 30, 2011 consolidating information in the Required Supplementary Information section of the of GSA's *2011 Agency Financial Report* is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net costs, changes in net position, and budgetary resources of GSA's components individually. The September 30, 2011 consolidating information has been subjected to the auditing procedures applied in the audit of the GSA's consolidated financial statements and the FBF's individual financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the GSA's consolidated financial statements and the FBF's individual financial statements taken as a whole. The information in the Other Accompanying Information section of GSA's *2011 Agency Financial Report* is presented for purposes of additional analysis and is not required as part of the GSA's consolidated and the Funds' individual financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in Exhibit I that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Exhibit II presents the status of the prior year significant deficiencies.

We noted certain additional matters that we have reported to management of GSA in a separate letter dated November 9, 2011.

Compliance and Other Matters

The results of our tests of compliance described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

The Office of Inspector General identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters have been referred to GSA management and are currently under review by GSA's Office of General Counsel. A final determination has not yet been made and therefore the outcome of these matters is not presently known.

Responsibilities

Management's Responsibilities. Management is responsible for the GSA's consolidated financial statements and the Funds' individual financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to GSA.

Auditors' Responsibilities. Our responsibility is to express opinions on the fiscal year 2011 and 2010 GSA's consolidated financial statements and the Funds' individual financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04.

Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the GSA's consolidated financial statements and the Funds' individual financial statements are free of material misstatement.

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the GSA's consolidated financial statements and the Funds' individual financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall GSA's consolidated financial statement and the Funds' individual financial statement presentation.

We believe that our audits provide a reasonable basis for our opinions.

In planning and performing our fiscal year 2011 audit, we considered GSA's internal control over financial reporting by obtaining an understanding of GSA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the GSA's consolidated financial statements and the Funds' individual financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GSA's internal control over financial reporting. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the fiscal year 2011 consolidated financial statements of the GSA and the Funds' individual financial statements are free of material misstatement, we performed tests of the GSA's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the GSA's consolidated financial statement amounts and the Funds' individual financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04 including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the GSA. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

GSA's responses to the findings identified in our audit are presented in Exhibit I. We did not audit GSA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of GSA's management, GSA's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 9, 2011

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

A. Controls over budgetary accounts and transactions should be strengthened

Budgetary accounts are a category of the general ledger accounts where transactions related to receipts, obligations, and disbursements of budgetary authority – the authority provided by law to incur financial obligations that will result in outlays – are recorded.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, sets forth requirements to develop control processes necessary to ensure that reliable and timely information is obtained, maintained, reported, and used for decision making. Additionally, OMB Circular No. A-127, *Federal Financial Systems*, provides a framework for Federal agencies to develop financial management systems that should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. In addition, GSA policies require each of GSA's Services – Public Buildings Service (PBS) and Federal Acquisition Service (FAS) – to address the need to strengthen internal controls over budgetary reporting and to mitigate known weaknesses in the budgetary transaction level controls.

GSA needs to continue improving the effectiveness of controls over its accounting and business processes to ensure that budgetary transactions are properly recorded, processed, and summarized. Specifically, we continued to note the following internal control deficiencies in GSA's financial management systems and financial reporting processes related to the recording of undelivered orders and recoveries of prior years' obligations, many of which were reported in the fiscal year 2010 *Internal Control over Financial Reporting* section of our Independent Auditors' Report.

a. Undelivered Orders

Undelivered orders represent GSA's obligations that require the agency to make payments to the public or from one Government account to another. Under OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget,* requirements, obligations incurred must conform to applicable provisions of law, and agencies must be able to support the amounts reported by appropriate documentary evidence as defined by 31 U.S.C. 1501.

Of the 248 PBS obligations selected for test work, we noted 61 instances where contracts and modifications to contracts (including de-obligations) were not timely recorded in the financial management system; 8 instances where the obligating documents were signed after the period of performance or delivery dates; 6 instances where the undelivered order balances were invalid or recorded for the incorrect amount, causing the outstanding undelivered order balance to be inaccurate; 3 instances where the obligations were recorded in the financial management system before they were signed; and 3 instances where obligations were recorded prior to the determination of the scope of work or the pricing of the contract modification. Further, GSA did not include the delivery date or period of performance for 25 of the 248 contracts tested; increasing the risk that management will not be able to determine the validity of the related undelivered orders.

In addition, GSA's management did not effectively review its obligations during the year, resulting in an overstatement of $18.3 million in ASF undelivered orders related to a minimum revenue guarantee contract. As a result of our observations, GSA adjusted its undelivered orders balance, when appropriate.

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

As reported in the previous year, the lack of integrated financial and acquisition systems, combined with the ineffective communication between the program office and the Budget/Financial Management Office within the regions, continues to be the contributing factor for obligations not being accurately and timely recorded in the financial management system. This weakness in the internal control system exposes PBS to increased risk of misstatements of its financial reports and possible violations of laws and regulations. As a result, PBS Central Office management continued to rely on costly compensating processes and labor-intensive efforts to prepare reliable financial statements throughout the year and at fiscal year-end.

b. Recoveries of Prior years' Obligations

Recovery of prior years' obligations represents cancellations or downward adjustments of obligations incurred in prior fiscal years. As reported in the previous year, changes to certain fields in the financial management system related to prior year obligation information – such as vendor codes – cause a recording of a recovery of prior years' obligations regardless whether the obligation was actually cancelled or adjusted downward. This condition requires extensive manual reviews and adjustments to detect and correct errors, rather than preventing them. In addition, GSA did not effectively review its recoveries from prior years' obligations during the year. Of the 26 recoveries of prior year obligations tested, we noted 3 instances where the recoveries were invalid or not recorded in a timely manner. GSA performed additional analysis to ensure the recovery of prior years' obligations balance was not significantly misstated.

Recommendations

We recommend that GSA management continue to implement the following recommendations to improve controls over the accounting for undelivered orders:

a. Undelivered Orders

1. Continue efforts to evaluate the need to implement system interfaces between the contracting system and the financial management system of record;
2. Until such interfaces are in place, continue monthly reconciliation efforts between the contracting system and the financial management system and ensure sufficient resources are available to perform the reconciliations in a timely and routine manner;
3. Continue to communicate with the regional offices to investigate and resolve variances identified in a timely and consistent manner and to ensure that all obligations are recorded in the financial system timely and accurately;
4. Perform procedures to ensure all obligations are captured and accurately recorded in the financial management system;
5. Institute policies and procedures, including management reviews, to ensure that a contract delivery date or period of performance is stated on all obligating documents before obligations are authorized, when appropriate;
6. Ensure contracting officers and regional procurement officers review contracts thoroughly to ensure that contract options are correctly exercised and applicable Notice-to-Proceed documents are issued timely;
7. Continue assessing the root causes of ineffective internal controls at the process level as part of the overall control deficiency assessment to help design an effective internal control environment that is suitable to GSA business processes;
8. Continue to improve the efficiency of transaction-level, process-driven controls to avoid overreliance on high-level mitigating controls over budgetary accounts and transactions;

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

9. Improve communication with GSA's procurement operations and the regions to better facilitate response times by regions for award acceptance and receipt of goods and services;
10. Provide additional training to reinforce existing policies and procedures, which require proper authorization and approvals of contracts prior to recording the obligations in the financial management system that all obligations be entered into financial management systems timely and prior to the receipt of any goods and/or services by GSA; and
11. Monitor obligations related to minimum revenue guarantee contracts on a quarterly basis to ensure the obligations are accurately stated.

b. Recoveries of Prior Years' Obligations

1. GSA needs to train users to prevent user errors, which account for the majority of the errors, and
2. Continue to rely on its periodic reviews of the recovery of prior year obligation balances to ensure that balances reported in the financial statements are valid and accurate.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

B. Controls over accounting and reporting of general property and equipment should be strengthened

GSA reports $25.7 billion in property and equipment, net of accumulated depreciation, as of September 30, 2011. GSA needs to continue to improve controls over general property and equipment to ensure that transactions are promptly recorded, properly classified, and accounted for in accordance with the requirements outlined in Federal financial accounting standards and OMB Circular No. A-123. During our fiscal year 2011 audits, we continued to note the following control weaknesses over general property and equipment, many of which were reported in the fiscal year 2010 *Internal Control over Financial Reporting* section of our Independent Auditors' Report:

a. Buildings

GSA did not consistently record property disposals when they occurred. When a building is sold, conveyed, or demolished, the regional offices do not always notify the Office of the Chief Financial Officer (OCFO) to properly record the asset disposal and to reduce the building value in the financial management system, accordingly. GSA did not record asset disposals for 9 of the 97 buildings tested. Upon our request, management analyzed the buildings subsidiary ledger resulting in an identification of an overstatement of the buildings balance and related accumulated depreciation of approximately $49.1 million and $41.8 million as of September 30, 2011, respectively. We performed additional analysis to ensure the buildings balance was not significantly misstated.

b. Land

In fiscal year 2011, GSA revised its accounting policies to ensure that the value of land was properly recorded, summarized, and disclosed in the financial statements, in accordance with applicable Federal financial accounting standards. However, the revised accounting policies were not fully implemented during fiscal year 2011, therefore, GSA continued to capitalize certain environmental cleanup cost estimates that should have been expensed in accordance with applicable Federal accounting standards, as outlined in Statement of Federal Financial Accounting Standard (SFFAS) No.6, *Accounting for Property, Plant, and Equipment, Section 4 – Cleanup Costs,* issued by the

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

Federal Accounting Standards Advisory Board. GSA adjusted its land balance at year-end as part of its financial reporting closing process.

c. Construction in Process (CIP)

GSA needs to continue improving the effectiveness of controls over the proper classification of projects that are deemed substantially complete. GSA did not consistently record transfers of substantially completed projects from CIP to the buildings balance in a timely manner for 7 of 32 CIP transfers tested. Due to the inconsistent application of PBS's guidance as to the definition of when a project is substantially complete, the size and complexity of GSA's construction projects, and the manually intensive process of determining and documenting substantial completion dates, there is an increased risk that asset transfers may not be recorded to the general ledger in a timely manner, which could also lead to misstatements in depreciation expense.

In fiscal year 2011, GSA revised its accounting policies to ensure that cleanup costs related to the abatement, remediation, and/or disposal of hazardous waste associated with renovation projects were properly recorded, summarized, and disclosed in the financial statements, in accordance with applicable Federal financial accounting standards. However, the revised accounting policies were not fully implemented during fiscal year 2011, therefore, GSA continued to capitalize certain environmental cleanup cost estimates that should have been expensed in accordance with applicable Federal accounting standards, as outlined in SSFAS No. 6 – Section 4. GSA adjusted its CIP balance at year-end as part of its financial reporting closing process.

Recommendations

We continue to recommend that GSA management implement the following recommendations to improve controls over the accounting for general property and equipment:

a. Buildings

1. Perform regular verifications of the building status listed in the Fixed Asset subsidiary ledger;
2. Develop policies and procedures requiring a new building location code to facilitate the verification of building status;
3. Develop policies and procedures to improve communications between the Central Office and the regional portfolio managers regarding asset disposals or conveyance to ensure all parties have an understanding of the documents and notifications needed for the OCFO to record the asset disposals in a timely manner;
4. Develop and deliver training on an ongoing basis to all portfolio managers and realty specialists regarding the reporting of real property disposal or conveyance to ensure that all of the appropriate requirements are fulfilled and consistently recorded in accordance with GSA policies and procedures; and
5. Enforce GSA's existing policy on reporting asset disposal or conveyance.

b. Land

1. Fully implement the new accounting policy on accounting treatment for environmental related cost during fiscal year 2012; and
2. Evaluate the posting logic over the accounting entries related to environmental liabilities affecting property to ensure that the land balance is not increased due to the accumulation of such costs in accordance with applicable Federal financial accounting standards.

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

c. Construction in Process

1. Fully implement the new accounting policy on accounting treatment for environmental related cost during fiscal year 2012;
2. Properly track and account for cleanup costs of hazardous waste incurred during renovation projects in accordance with applicable Federal financial accounting standards;
3. Continue current initiatives to strengthen internal controls over proper classification of costs associated with projects and ensure proper data entry and timely transfer of costs between the construction in process and building accounts;
4. GSA should continue its reconciliation efforts to review the validity of substantial completion dates entered into the applicable feeder systems and the fixed assets subsidiary system to ensure that substantially completed CIP projects are transferred to the appropriate building account in a timely manner; and
5. GSA's effort to correct the validity of substantial completion dates needs to be supported by regional efforts (e.g., making continuous improvements toward entering actual substantial completion dates into the system) in order to ensure effective controls.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

C. Controls over accounting and reporting of environmental liabilities should be strengthened

GSA manages over 1,500 owned properties with an average age of 47 years, including 302 buildings considered heritage assets. Certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant and Equipment* and Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government* set forth the requirements and guidance for accounting and reporting environmental liabilities.

In fiscal year 2011, GSA revised it accounting policies to ensure that the environmental related liabilities were properly recorded, summarized, and disclosed in the financial statements, in accordance with applicable Federal financial accounting standards. However, the revised accounting policies were not fully implemented during fiscal year 2011, therefore, GSA did not provide enough guidance to the Regional Offices to clearly determine, document, and communicate environmental liabilities.

As a result, GSA was unable to provide consistent documentation supporting its due care process for evaluating the likely presence of environmental contamination. Of the 72 sites selected for test work, we noted 5 instances where the environmental assessment forms were prepared incorrectly and 5 instances where the due care process was not performed in a timely manner. Further, we noted that certain costs connected with the environmental cleanup process are not always recorded as environmental liabilities. We performed additional analysis to ensure the environmental liability balance was not significantly misstated.

Recommendations

We continue to recommend that GSA management perform a comprehensive analysis of the root causes of ineffective controls over the accounting and reporting of environmental liabilities as part of the overall control deficiency assessment to help design an effective internal control environment over environmental liabilities that is suitable for GSA business processes. Specifically:

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

1. GSA should revise its environmental liabilities guidance provided to regional offices. Such guidance should be in accordance with the overall GSA accounting policies for environmental related liabilities. Further, GSA environmental liability guidance should include a consistent approach for performing and documenting the due care process, including how often a property pre-screening should be performed, what constitutes adequate documentation to support the due care process, and what are examples of costs that should be included in environmental liabilities;
2. Develop policies and procedures to improve communications between the Central Office and the regional environmental managers and engineers regarding environmental issues to ensure all parties have an understanding of the reporting requirements and the status of each environmental remediation site and any actions taken to remediate the site;
3. Develop and deliver training on an ongoing basis to all regional environmental managers and engineers regarding the financial reporting requirements of environmental liabilities; and
4. After the revised policies have been implemented, enforce the new procedures to ensure that all new properties that contain or may contain hazardous contaminants are identified; future costs of required containment and removal actions are estimated and reported when such actions become probable; and develop and retain adequate supporting documentation for the due care procedures performed.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

D. Controls over revenue and expense recognition policies in the Federal Acquisition Services Fund should be strengthened

The Federal Acquisition Service (FAS) is the lead organization for procurement of products and services, other than real property, for the Federal government. As of September 30, 2011, FAS reports $9.5 and $9.3 billion in revenues and expenses, respectively.

GSA needs to improve controls over the accounting policies and procedures over the recognition of revenues and expenses for portions of two of the lines of business administered by FAS, as required by SFFAS No. 7, *Accounting for Revenues and Other Financing Sources*, and SFFAS No. 1, *Accounting for Selected Assets and Liabilities,* respectively.

During fiscal year 2011, the GSA drafted policies and procedures to address the prior year conditions. However these policies and procedures were not implemented before September 30, 2011, therefore, based on the results of our test work we continued to observe instances where GSA did not recognize revenues when goods or vehicles were provided to the customer agency and recognized expenses before goods or vehicles were received from the supplier. This deficiency affected the individual financial statements of the ASF. If not corrected, as the volume and complexity of transactions processed by FAS continue to increase in the future, there is an increased risk that the individual financial statements of the ASF could be significantly misstated. GSA prepared an analysis at year-end to assess the effect of not recognizing revenues and expenses in accordance with Federal financial accounting standards and determined that the revenue and expense balances in the FAS line of business affected were not significantly misstated.

Recommendations

We continue to recommend that GSA management implement the following recommendations to improve controls over the revenue and expense recognition policies in the Federal Acquisition Fund. Specifically,

1. Perform a comprehensive analysis of the current accounting policies used to recognize revenues and expenses incurred in the FAS lines of business affected to ensure that those transactions are recorded in accordance with applicable Federal financial accounting standards;

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

2. Develop monitoring controls to ensure that revenue and expense balances, in the FAS lines of business affected, accurately reflect the proper matching of revenues and expenses under current Federal financial accounting standards; and
3. As part of the modernization of GSA's financial systems, assess the need to adjust or implement automated application controls to ensure that the corresponding FAS feeder systems have the capability to capture all necessary data to report financial transactions in accordance with Federal financial accounting standards.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

E. General controls over financial management systems should be strengthened

GSA did not have adequate information technology controls to protect its financial management systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could affect GSA's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. During fiscal year 2011, we noted corrective actions to some prior year control deficiencies. However, GSA continued to have similar control deficiencies related to security and general controls over its financial information systems, as discussed below:

a. Access controls

Access controls protect computer resources from unauthorized modifications, disclosures, and loss. However, of the 12 systems tested, GSA did not fully establish controls to prevent and detect unauthorized access for eight systems; and did not consistently ensure accounts for separated users are removed in a timely manner and inactive accounts were disabled for eight systems. In addition, GSA did not implement configuration settings to its most restrictive settings to protect systems and data for ten systems. Furthermore, GSA does not have a process in place to develop and maintain a comprehensive inventory of systems. Finally, GSA did not fully establish monitoring controls over application and system activity logs and violation reports of user actions for nine systems.

b. Segregation of responsibilities

Lack of controls to prevent the assignment of access to incompatible functions within and between systems exposes GSA to the risk that certain users may be assigned the ability to perform multiple critical system transactions. GSA did not periodically review segregation of responsibilities to ensure conflicting access rights are not granted for seven systems. Furthermore, GSA did not consistently ensure users' access was restricted from performing incompatible functions for one system.

c. Change management

System change management protects computer resources from unauthorized modifications, disclosures, or loss. GSA did not develop and implement a process for ensuring restriction of access to implement undetected software changes for two systems. In addition, GSA did not consistently ensure that change documentation of authorization for changes, testing of changes, and approval for change implementation was documented for two of the 12 systems selected for test work.

Independent Auditors' Report
Exhibit I – FY 2011 Significant Deficiencies

Recommendations

We continue to recommend that GSA management improve controls over its financial information systems to ensure adequate security and protection of the information systems, as follows:

a. Access Controls

1. Improve policies and procedures to approve and terminate user access to validate that only authorized users have access to information systems;
2. Develop and implement a process to review and document the review of audit logs related to financial system access and processing; and
3. Improve upon existing procedures to define events to be monitored over application, database and system activity logs and violation reports of user actions.

b. Segregation of Duties

1. Improve policies and procedures to recertify users at each level of a system (e.g. application, database) to validate they are consistently adhered to across information systems to ensure that users' access is commensurate with job responsibilities and retention of evidence of this review and any actions taken as a result.

c. Change management

1. Ensure that policies to authorize and test software changes are consistently adhered to across the information systems;
2. Improve policies and procedures that restrict users from having full control over the development, compilation, and implementation of program changes; and
3. Maintain a comprehensive inventory of systems.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

Independent Auditors' Report
Exhibit II – Status of Prior Year Findings

Status of GSA's Prior Year Findings		
Report	**Significant Deficiency**	**Status**
Fiscal Year 2010	A. **Controls over budgetary accounts and transactions**	This condition has been partially resolved in fiscal year 2011. See finding A.
Fiscal Year 2010	B. **Controls over accounting and reporting of general property and equipment**	This condition has been partially resolved in fiscal year 2011. See finding B.
Fiscal Year 2010	C. **Controls over accounting and reporting of environmental liabilities**	This condition continues to exist in fiscal year 2011. See finding C.
Fiscal Year 2010	D. **Controls over the revenue and expense recognition policies in the Federal Acquisition Services Fund**	This condition continues to exist in fiscal year 2011. See finding D.
Fiscal Year 2010	E. **General and application controls over financial management systems**	This condition continues to exist in fiscal year 2011. See finding E.

Other Accompanying Information

U.S. GENERAL SERVICES ADMINISTRATION
Office of the Inspector General

OCT 14 2011

MEMORANDUM FOR MARTHA N. JOHNSON
ADMINISTRATOR (A)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: GSA's Management Challenges

Attached is a copy of our office's updated assessment of the management challenges currently facing GSA. The Reports Consolidation Act of 2000, Public Law 106-531, requires that each Office of Inspector General prepare a statement that summarizes what the Inspector General considers to be the most significant management and performance challenges facing the agency. The statement must also briefly assess the agency's progress in addressing those challenges.

We are providing you with our most recent assessment. Please review it at your earliest convenience. We welcome any comments you may wish to add.

If you have any questions or wish to discuss this, please call me at 202-501-0450.

If your staff needs any additional information, they may contact Theodore R. Stehney, Assistant Inspector General for Auditing, at 202-501-0374.

Attachment

1800 F Street, NW, Washington, DC 20405-0002

OFFICE OF INSPECTOR GENERAL'S ASSESSMENT OF GSA'S MAJOR MANAGEMENT CHALLENGES

OCTOBER 2011

As required by the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) regularly identifies what it considers the U.S. General Services Administration's (GSA) most significant management challenges.

The following issues constitute what we believe to be GSA's most serious challenges: the Greening Initiative, Acquisition Programs, Financial Reporting, Information Technology, Protection of Federal Facilities and Personnel, the Federal Buildings Fund, and the Impact of the American Recovery and Reinvestment Act.

Some of these challenges represent an inherent risk to GSA's mission or programs; not necessarily a deficiency in performance. As such, GSA management may not be able to eliminate those challenges, but should continue to take steps to mitigate them.

GSA'S "GREENING" INITIATIVE – SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

ISSUE: *Challenges exist in achieving GSA's sustainability and environmental goals.*

GSA plays a major role in federal construction, building operations, acquisition, and government-wide policy. GSA has received additional responsibilities to lead change towards sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007, the American Recovery and Reinvestment Act (Recovery Act), and Executive Order 13514. Under these initiatives, GSA is required to increase energy efficiency; reduce greenhouse emissions; conserve water; reduce waste; support sustainable communities; and leverage federal purchasing power to promote environmentally responsible products and technologies.

In response, GSA issued its Fiscal Year (FY) 2010-2015 Strategic Sustainability Performance Plan (Plan). However, GSA faces challenges in executing its Plan because the Plan requires a cohesive and coordinated implementation of diverse functions and initiatives throughout GSA and the Government. The move towards sustainability will not only require the implementation of sustainable practices within the agency, but also in coordination with customer agencies and contractors. It will also require actions at the building level as specific emerging technologies and measures are implemented and at the employee level as employees are tasked with changing their behaviors.

We have identified four obstacles for GSA's sustainability initiatives including: (1) developing a management framework that GSA can use; (2) developing metrics that demonstrate the impact of GSA's changes; (3) collecting data to support goals and evaluate return on investment; and (4) funding specific programs.

Management Framework for Sustainability

To implement its Plan successfully, GSA needs a transparent management framework that uses a collaborative approach to "drive things down" throughout the organization, and to coordinate efforts with customer agencies and contractors. GSA's sustainability initiative spans all of the Agency's business lines, but there is no clear process to merge the disparate parts and implement overall program management. Success is highly dependent on communication that cuts across program lines and extends to external partners. When GSA began its sustainability initiatives it did not have a management framework that could be used to lead its efforts and evaluate results. There were individual achievements, but little follow-up once a measure was implemented. For example, GSA required construction projects to seek Leadership in Energy and Environmental Design certification and installed building upgrades aimed at improving energy efficiency. However, there is still no program set up to monitor and evaluate the actual results.

Metrics Need to be Developed and Adopted

GSA needs metrics that align with the Agency's mission and are meaningful, balanced, and encourage improvement in sustainable processes. In addition, GSA needs to adopt a return-on-investment approach to demonstrate economic lifecycle viability, as well as whether or not an outcome is "greener" due to any improvements in technologies and processes. However, developing and adopting metrics may be problematic. In many cases, the metrics related to sustainability are not standardized and there may be multiple methodologies to measure a given aspect of sustainability. In addition, monitoring and tracking the effectiveness of all measures taken will likely be a large undertaking given the extent of GSA's operations. Further, metrics by themselves may not be reliable as there may be a multitude of factors influencing a specific metric such as building tenants' operations.

Capturing Accurate and Complete Data

As GSA invests in and implements new sustainable technologies, which tend to cost more than conventional technologies, it needs to be able to demonstrate the benefits achieved; therefore, accurate, complete, and replicable data is crucial. This is particularly true for the benefits and savings associated with converting its buildings to High Performance Green Buildings. However, capturing this data may prove to be a challenge.

As the U.S. Government Accountability Office (GAO)[1] reported, when the Recovery Act projects started, the Agency did not have a program to gather information on what measures were being implemented, how the measures were expected to impact the building, and whether the measures were effective. There are many different characteristics of High Performance Green Buildings, ranging from reduced consumption of water, energy, or material resources, to increased applications of reuse and recycling programs, to reducing the transportation impact on the environment. Further, GSA, in its government-wide contracts, has the additional responsibility of verifying that the products and services it provides are accurately certified. This task is complicated by the proliferation of environmental certifications in the marketplace. As outlined in a recent GAO report, even the processes used by the Department of Energy and the Environmental Protection Agency have control weaknesses that allow products to be erroneously certified.

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[1] Federal Agency Management: GSA's Recovery Act Program is on Track, but Opportunities Exist to Improve Transparency, Performance Criteria, and Risk Management (GAO-10-630)

Funding for Sustainability Programs

To date, GSA has had difficulty in funding specific sustainability programs, especially for building-related programs. For example, the Office of Federal High-Performance Green Buildings was established by the Energy Independence and Security Act of 2007, but was not funded until the Recovery Act provided $4 million for the program in FY 2009. The Office of Federal High-Performance Green Buildings has plans to provide standards for green federal building, and to disseminate practices, technologies, and research results through outreach, education, and technical assistance government-wide. However, the Office of Federal High-Performance Green Buildings will again rely on the annual appropriations process to finance these objectives.

In addition, GSA has established a Green Proving Ground program under its Chief Greening Officer. This program will identify, acquire, implement, and evaluate the performance of innovative technologies. However, since funding to accomplish these goals has not been available through the appropriations process, the Green Proving Ground leverages its staff and operations via other funded divisions.

AGENCY ACTIONS: GSA has been making efforts to address these issues as well as emphasizing steps toward the implementation of sustainable practices in its daily operations.

In its FY 2012 congressional budget justification, GSA established a vision of achieving a Zero Environmental Footprint. To accomplish this, GSA has placed an emphasis on pursuing environmentally friendly practices in its operations. These practices range from increasing employee telework and hoteling at agency worksites, to purchasing green information technology equipment vehicles, and greening the federal supply chain.

GSA has also taken several steps to address the challenges to its overall sustainability program. GSA has developed the Recovery Act High-Performance Green Building Database Online to track sustainability data for both Recovery Act and non-Recovery Act projects. The Public Buildings Service (PBS) recently estimated that 30 to 40 projects have been completed, resulting in output data for tracking and analysis. The life cycles of the projects underway determine when additional output data will be available. PBS also issued a white paper on green building performance. The white paper was a post occupancy evaluation of 22 GSA owned and leased sustainably designed buildings. Performance metrics evaluated included water use, carbon dioxide emissions, energy costs, and occupancy satisfaction.

The Office of Federal High-Performance Green Buildings developed the Sustainable Facilities Tool website and mobile application to provide guidance for greening projects. The Office also took initial steps in measuring greenhouse gas (GHG) emissions, using a survey to measure GHG emissions related to employee commutes. The Office is also developing a plan to assess GHG emissions in GSA's leased portfolio.

The Green Proving Ground (GPG) program selected 16 technologies and practices from Recovery Act projects for enhanced measurement and verification. The GPG will perform enhanced testing, monitoring, and evaluating on these selected technologies and the findings will be used to determine whether to deploy the technologies and practices in the future.

ACQUISITION PROGRAMS

The Multiple Award Schedule (MAS) Program remains one of GSA's largest procurement programs with approximately 19,000 contracts and $38.9 billion in sales in FY 2010. The program is intended to provide federal agencies and other authorized users the best value through a simplified procurement process for purchasing over 11 million commercial items and services.

ISSUE: *In the MAS Program, we identified challenges related to pricing, compliance with contract terms, contract workload management, and proposed changes to the General Services Administration Acquisition Manual.*

We also remain concerned about the timely transition from FTS2001/Crossover contracts to the Networx contracts.

Pricing

Price analysis is the key step a contracting officer performs in arriving at fair and reasonable prices. Given the volume of MAS Program sales, even minor changes in pricing can have a substantial impact. We are concerned that the emphasis on MAS Program fundamentals – including pricing objectives and other pricing tools – has diminished. These fundamentals are set by regulation and require the contracting officer to seek products or services that provide the best value, to perform meaningful price and cost analysis when awarding or extending contracts, and to use field pricing assistance in negotiating contracts.

In the MAS Program, contractor pricing is not based on direct competition. Rather, the Federal Acquisition Service (FAS) evaluates a contractor's offer by comparing it to pricing the contractor offers to other customers. The MAS Program operates under the premise that contractors routinely sell commercial products and services in competitive markets, and that market forces establish fair and reasonable prices. Therefore, the requirement to seek the contractor's best prices provides an essential link to the commercial market while harnessing the Federal Government's collective buying power at the contract level.

The broad definition of a commercial item in the Federal Acquisition Regulation (FAR) also impacts MAS pricing. Under the current definition, a commercial item is any item – and many services – of a type customarily used by the general public. However, the FAR does not require that contractors actually sell their products or services in the commercial market, thus removing the critical link between the MAS Program and competitively established market pricing. It has been our experience that many MAS contractors sell exclusively to the Federal Government. In addition, some contractors create corporate structures, which organizationally segregate their commercial business from their government business. Even when a commercial market exists for a contractor's services, its commercial contracts are typically awarded on a firm-fixed price basis, while its GSA schedule clients are mainly offered time and material type task orders. All these scenarios present challenges in terms of comparability, and impact a contracting officer's ability to perform valid price analyses.

OIG preaward audits are meant to provide contracting officers with details regarding a contractor's pricing and sales practices prior to negotiations, and should be the main tool a contracting officer uses to be assured that a contractor's pricing is appropriate. In FY 2010 alone, we recommended over $432 million in proposed contract price reductions and over $3.35 million in recoveries.

However, we are concerned that the results of our audits are not being used effectively. We have noted that contracting officials are not consistently negotiating the contractors' best prices, are extending many MAS contracts without adequate price analysis, and are not effectively using available tools to negotiate better MAS prices.

Contract Compliance

We are also concerned that some MAS contractors do not fully comply with the terms and conditions of their contracts. We previously reported to the MAS Advisory Panel that 70 percent of Commercial Sales Practices documents provided by contractors contained data that was not current, accurate, or complete. Additionally, we found that contractors went to great lengths to misrepresent their actual selling prices. For example, in May 2010, a MAS contractor agreed to pay the United States Government $87.5 million to resolve alleged false claims and contract fraud. This contractor knowingly failed to comply with the Price Reductions clause of its GSA contract by not disclosing higher discounts granted to its commercial customers.

Contract Workload Management

Managing the workload associated with awarding and administering approximately 19,000 contracts is a challenge for the MAS Program. This workload includes processing contract actions such as new offers, modifications, and options to extend existing contracts, as well as the need for ongoing contract oversight. We are concerned that such a large workload could potentially affect the timeliness and quality of contract actions. In analyzing this workload, we previously reported that a significant number of contracts without sales remain in the MAS Program. We have recommended that such contracts be eliminated from the program to reduce the cost of administering unused and underutilized contracts.

Proposed Changes to the General Services Administration Acquisition Manual (GSAM)

We have concerns in two areas with regard to the rewrite of the GSAM. First, we believe the proposed changes will greatly weaken the controls over the MAS Program, will make the MAS Program less useful to customer agencies, and will waste significant amounts of taxpayer dollars. Second, we believe issuance of the Final Rule in its current form, with significant changes that have not been published or otherwise publicly communicated, would not be consistent with the Administration's emphasis on transparency in government operations. We believe the number and extent of changes from the published proposed rule warrant a further round of public comment.

AGENCY ACTIONS: GSA has provided written comments to GAO stating that it will make additional efforts to improve the MAS Program pricing and management. These efforts will include using preaward audits, clarifying price objectives, establishing more consistent performance measures, and collecting transactional data on MAS orders and prices. The program for pre-negotiation clearances to ensure the quality of the most significant contract negotiations is ongoing. In this process, the contracting officer presents a summary of his or her actions in developing negotiation objectives including market research, contractor responsibilities, and price analysis to a panel for evaluation.

Transition to Networx

ISSUE: *As part of the largest telecommunications services transition ever undertaken by the Federal Government, FAS is managing the conversion from the FTS2001/Crossover contracts to the Networx contracts. This transition involves more than 135 agencies, more than 50 services, and thousands of voice and data circuits. The Networx contracts are valued at $68.2 billion, divided between Networx Universal and Networx Enterprise.*

In a May 2010 U.S. House of Representatives Committee on Government Oversight and Reform hearing, GSA management acknowledged delays in this transition. However, they stated that agencies are doing everything possible to meet transition schedule guidelines.

AGENCY ACTIONS: Because some agencies were not able to fully transition to Networx, FAS awarded "bridge" contracts to provide service beyond the expiration of FTS2001/Crossover contracts in 2006 and 2007. FAS Management knew that some agencies would not complete the transition prior to the expiration of the bridge contracts. In May and June 2011, FAS awarded 6-month continuity bridge contracts to Sprint, Verizon, AT&T, and Qwest to run through November and December of 2011. Each contract has a 6-month option to run through May or June 2012. FAS has started planning efforts to gather information for the Network Services 2020 (NS2020) Program Acquisition, which will replace Networx.

FINANCIAL REPORTING & INFORMATION TECHNOLOGY

Budgetary, Financial Reporting and Acquisition Systems

ISSUE: *As reported in prior years, controls over budgetary and financial reporting need improvement. The absence of a single acquisition system that interfaces directly with GSA's financial system (Pegasys) plays a role in this management challenge.*

The Independent Public Accountant continues to observe deficiencies in GSA's accounting process during the annual audit of GSA's financial statements. Financial reporting, specifically the absence of an integrated procurement and acquisition system for PBS and FAS, has been a relevant management challenge since FY 2004. While GSA continues to make improvements concerning this issue, similar deficiencies regarding the controls over budgetary accounts still exist.

AGENCY ACTIONS: In partnership with the Office of the Chief Information Officer, the Office of the Chief Financial Officer works to promote the reliability of budgetary and financial information. GSA is also considering taking an agency-wide approach to acquisition systems. While FAS is developing a comprehensive acquisition system for itself, PBS may partner with FAS to address PBS's requirements for its current system development.

Accounting Policies over Environmental Liabilities

ISSUE: *As noted in prior year financial statement audits, accounting policies and the due care process over environmental liabilities needs improvement.*

Federal regulations require GSA to assess and report on whether environmental contamination exists on government properties and to determine the costs to clean-up the contaminated site. On a quarterly and annual basis, GSA's environmental assessments consist of: (1) identifying new environmental contamination sites and determining the related remediation costs; (2) updating the status of existing contamination sites; (3) classifying liabilities as probable, reasonably possible, or remote; (4) quantifying liabilities for accounting purposes; and (5) reporting liabilities in the annual financial statements. As noted in the current and prior year's financial statement audits, challenges in improving accounting policies and the due care process for recording clean-up costs persist for PBS. GSA has been working to revise its accounting policies for recording cleanup costs; however, missing supporting documentation and the potential for liabilities not captured in Cost Estimation Questionnaires continue to pose challenges to PBS's due care process. Without a process in place to review and verify the documentation supporting reported environmental liability estimates, the amounts accrued and reported in the financial statements and related note disclosures may be inaccurate.

AGENCY ACTIONS: PBS, in conjunction with the Office of the Chief Financial Officer, has been working to revise the accounting policies governing environmental cleanup costs. In addition, PBS has performed analyses to determine the correct accounting treatment of environmental cleanup costs incurred during renovation projects, and for future estimated cleanup costs charged to land. PBS's environmental division has also developed training materials to aid in addressing this challenge.

Information Technology

ISSUE: Improved planning, development, and implementation of information technology systems and services are needed to ensure quality data and to support business decisions.

Planning, developing, and implementing cost-effective, customer-focused, and performance-based information technology (IT) systems are key to providing both effective and reliable IT systems.

GSA management faces challenges because GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction. Challenges in reengineering business processes across the

Agency and implementing enterprise architecture have led to duplicative systems that are costly to maintain and operate and make it difficult for GSA to track and report management information needed for decision making. Shared services and integrated information systems are also needed to enhance data quality and ensure that transparency and accountability goals are achieved. GSA's initial information and data quality plan, prepared in response to the Office of Management and Budget's Open Government Directive: Framework for the Quality of Federal Spending Information, notes that the role of enterprise architecture and the use and management of IT are critical factors to consider for ensuring a sustainable data quality program. GSA IT systems, however, do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality.

AGENCY ACTIONS: To guide GSA IT investment decisions and communicate long-term goals and objectives, the CIO developed an IT Strategic Business Plan covering FYs 2010 through 2012. The plan is intended to enable the planning, decision-making, acquisition, and execution of IT services by individual services/staff offices and business-level program areas. GSA has requested funding for new IT programs and initiatives, as part of its FY 2012 budget. The budget includes the following requests for IT modernization efforts: (1) Identity, Credential, and Access Management program to improve security, provide single sign-on capabilities, and increase HSPD-12 and E-Authentication compliance; (2) IT Modernization program to conduct IT planning and assessment; (3) Electronic Records Management program to create digital archives; and (4) End User Productivity program to create a centralized portal for frequently used applications.

ISSUE: *Improvements are needed to protect sensitive GSA information and to address emerging risks associated with cloud computing.*

Improvements are needed in coordination, collaboration, and accountability across GSA to address five high priority risk areas: (1) configuration management, (2) social media technologies, (3) security documentation labeling, (4) contractor background investigations, and (5) warning banners.

In addition, GSA's migration to cloud computing environments is an emerging risk area that must be managed. Potential benefits achieved with cloud computing technologies include cost efficiencies, "green" efficiencies, such as lower power consumption and a reduction in carbon footprints, and enhanced security. However, GSA must address the risks of using cloud computing related to records management, privacy, security, continuous monitoring, e-discovery, and application portability to realize these potential benefits.

AGENCY ACTIONS: GSA is moving its email and communications infrastructure to a cloud provider and is planning to migrate thousands of small applications to Platform as a Service[2] cloud environments.

The GSA CIO has created and updated its IT security guides covering such areas as managing enterprise risk, conducting penetration testing, and securing various platforms. These changes include revising the CIO's security authorization procedures to streamline the process for specific Software as a Service cloud computing solutions.

GSA has awarded an Infrastructure as a Service contract to 12 contractors to provide government entities with cloud storage, virtual machines, and web hosting services. This is intended to support a continued expansion of agencies' IT capabilities into cloud computing environments.

In its role as a provider of cloud computing services, GSA has been named the managing partner of the Federal Risk and Authorization Management Program (FedRAMP). FedRAMP is a government-wide initiative to provide joint security certifications and accreditations and continuous monitoring services for large, outsourced, and multi-agency systems. The FedRAMP program has solicited comments from government and industry on security assessment and authorization procedures for use by U.S. Government cloud computing solutions.

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[2] Platform as a Service (PaaS) solutions are development platforms for which the development tool itself is hosted in the cloud and accessed through a browser. With PaaS, developers can build web applications without installing any tools on their computer and then deploy those applications without any specialized systems administration skills.)

The FY 2012 budget identifies a cloud computing initiative intended to establish secure, easy-to-use, rapidly provisioned IT cloud computing services for the Federal Government that is cost-effective, green, and sustainable. GSA also intends to provide government-wide program management to assist other federal agencies in adopting cloud solutions and assistance in four areas: (1) on-line purchase of cloud services; (2) Security as a Service; (3) email in the cloud; and (4) data center optimization.

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: *Challenges exist in safeguarding federal facilities and providing a secure work environment for federal employees.*

Providing a safe, healthy, and secure environment for over one million employees and visitors at approximately 9,600 government-owned and leased facilities nationwide is a major, multifaceted responsibility of GSA. Increased risks of unauthorized access and terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. Nonetheless, ensuring that federal employees have a secure work environment while maintaining open and accessible public buildings that are adequately safeguarded must remain a primary consideration for GSA.

GSA's mission of housing federal agencies calls for it to interact closely with security personnel. The Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, security, and emergency response services to GSA buildings and facilities. Prior to becoming a part of the Department of Homeland Security in 2003, FPS was part of GSA's PBS. Since then, GSA and FPS have operated under a Memorandum of Agreement for obtaining building security services.

We remain concerned about the protection of federal buildings because of shortcomings identified by the GAO in FPS's ability to provide security and the amount of funds available for building security measures. In FY 2010, GAO identified significant issues with FPS's ability to provide security, including critical weaknesses in the contract guard program, the lack of a risk management framework that couples threats and vulnerabilities with resource requirements, and the lack of a systematic approach for using technology to reduce risk to federal buildings and facilities. Further, GAO determined that FPS was inconsistent in sharing information and coordinating security with GSA and tenant agencies and that FPS was not providing GSA with analyses of the cost effectiveness of alternative security measures. In addition, GAO found that limited information about risks and the inability to control common areas and public access pose challenges to protecting GSA leased space.

In 2010, the Interagency Security Committee issued new physical security standards that permit agencies to accept certain levels of risk when determining the installation of security countermeasures. However, the availability of funds for the countermeasures remains an issue. Security fixtures and security equipment countermeasures valued above the prospectus-level, or installed in prospectus-level projects, have been purchased and installed by GSA on a prioritized, funds-available basis. However, the source of funding for additional security equipment and equipment maintenance needs to be determined and included in future budgets.

AGENCY ACTIONS: GSA currently has a Security Division within the PBS Office of Facilities Management and Services Programs, which includes the Regional Security Network. The Security Division has taken an active role on Interagency Security Committee working groups, which have been addressing significant areas such as revised standards for facility security level determinations and the development of a risk management process that balances the acceptance of risk with the achievable level of protection for all GSA facilities. The Security Division and Regional Security Network have also adopted a proactive liaison role to mitigate the communication gaps with FPS as identified in the GAO reports.

Negotiations are underway on a new Memorandum of Agreement that takes into account the roles and responsibilities of PBS and FPS, risk assessments, security systems installation and maintenance, and the contract adjudication program.

FEDERAL BUILDINGS FUND

PBS is one of the largest real property organizations in the world. Its building inventory consists of over 9,600 assets, mostly general-purpose office space, in federally owned and leased buildings. PBS manages over 370 million square feet of space, housing over a million federal employees. Approximately 52 percent of the PBS building portfolio is leased space. Real property operations are funded through the Federal Buildings Fund (FBF), a revolving fund that is financed by rent collected by PBS. These funds are used to make lease payments and operate government-owned buildings, as well as for investment in the capital program to repair and modernize facilities and to construct new buildings within the limits set annually as part of the budget process. The buildings in PBS's government-owned portfolio have an average age of 46 years and require approximately $5.5 billion in reinvestment for repairs and alterations.

ISSUE: *Challenges exist in managing budget cuts to the FBF.*

The FY 2011 FBF budget request was significantly reduced. PBS had requested $9.2 billion for FY 2011 but received only $7.6 billion in spending authority. When compared to the FY 2010 budget (approximately $8.5 billion), the FY 2011 budget included a slight increase for lease and building operations, but severe cuts in new construction and building repair and alterations. The construction budget was reduced from the requested $676 million to $82 million and the repair and alteration budget was reduced from $703 million to $326 million.

The FY 2012 budget may be cut even further. PBS requested $9.5 billion; however, the House Report (112-136) currently reduces the total budget to $7.2 billion with no funds for new construction, $280 million for repairs and alterations, and over $292 million in reductions to the budgets for lease costs and building operations.

These cuts are exacerbated by the resource needs of projects funded by the Recovery Act. All funding for these projects had to be obligated by September 30, 2011. Consequently, the funding needed to perform administration and oversight on these projects after that date will have to come out of future budgets. In addition, funding for contingencies and cost overruns may not be readily available even with PBS's plans to de-obligate and re-obligate Recovery Act funds between projects.

In recent years, revenue for FBF has been stagnant with leasing operations losing money.

New appropriations were often used to supplement the construction and renovation program. However, with the reduced spending authority, the FBF will likely build up a financial cushion, as revenues may significantly exceed the approved budgets.

However, the operational impact of the reduced funding has the potential to create major challenges. PBS will need to reconsider current housing plans for customer agencies and for its portfolio. Without funding for new construction, PBS may need to continue leasing space and in some cases, this may result in costly lease holdovers and extensions. Likewise, without funding for new leases, consolidation of agencies' space may be required. Additionally, PBS's $5.5 billion maintenance and repair inventory will not be adequately addressed. Finally, PBS has multiple phased renovation projects in process, which it may not be able to complete on schedule and as a result, the costs to complete the project will likely increase.

AGENCY ACTIONS: According to PBS management, a number of actions have been taken to stay within the FY 2011 budget including cutting travel funds and site testing for planned projects as well as reducing staffing.

Due to the uncertainties related to the FY 2012 budget, PBS is taking a multi-faceted approach to its funding problems. PBS is working with its budget stakeholders to ensure the viability of the budget. Further, it is examining how it can economize on its contract workforce as well as on its IT costs. It is also looking at ways to identify potential efficiencies in its building operations contracts. Lastly, PBS is working with customer agencies to identify ways to consolidate and reduce their space requirements.

AMERICAN RECOVERY AND REINVESTMENT ACT IMPACT

The Recovery Act provided GSA with $5.55 billion for the FBF. In accordance with the Recovery Act, PBS is using these funds to convert federal buildings into High-Performance Green Buildings, as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandated that $5 billion of the funds must be obligated by September 30, 2010, and that the remaining funds be obligated by September 30, 2011.

ISSUE: *GSA will continue to be challenged by the implementation of the American Recovery and Reinvestment Act of 2009.*

To implement the Recovery Act, PBS was required to obligate approximately four times its normal construction budget within a 20-month period. When the Recovery Act was enacted, the projects that PBS undertook varied in their states of readiness; while some projects were already under construction, others were still in the early planning stages. Given the need to expedite the contracts, PBS established obligation milestones to ensure contracts were awarded within the obligation deadlines. As such, GSA's project teams have had to plan and contract for many Recovery Act projects within extremely tight timeframes. Despite adding employees and contract support staff, meeting these deadlines has strained the capabilities of the project teams even before the beginning of actual construction for these projects.

In some cases, trying to meet the obligation deadlines has led to improper project management and contracting. In multiple projects, PBS violated competition laws and regulations so that the deadlines could be met. In particular, projects using the Construction Manager as Constructor methodology were problematic. For example, in some cases GSA implemented the methodology incorrectly resulting in sole source contract negotiations with contractors when open competition was required. On some projects, neither the scope of work nor the design was ready so contracts were awarded without complete project information and with no basis for determining the acceptability of the bids. In other cases, GSA improperly used MAS contracts for complex construction projects. Because of the lack of competition, the price reasonableness of these contracts cannot be assured.

The shortened planning and contracting timeframes creates the potential for additional project, contracting, and funding issues. During our oversight, we identified the lack of project management plans as well as incomplete scopes of work mentioned above. These deficiencies may lead to changes in the project. However, the Recovery Act language did not provide for funding these contingencies as all funds were to be obligated by the Recovery Act deadlines. Without contingency funds, PBS is planning to de-obligate and re-obligate Recovery Act funds between projects. However, there is no assurance that PBS will be able to meet all of its project needs.

In addition, monitoring contractor performance may prove to be a challenge. In addition to its normal workload, PBS needs to monitor contractors' performance on hundreds of Recovery Act projects to ensure the quality of the construction as well as to ensure that the project meets its schedule and stays within budget. Many of the energy saving measures have not been used on a large scale and expertise may be needed to ensure that the measures are installed correctly and perform effectively. PBS will need to ensure adequate staff to monitor contractor performance on the projects, despite a declining budget and no additional Recovery Act funds.

Further, the contract administration workload is likely to remain high. As discussed above, construction projects often result in continuing contracting actions, primarily modifications but also potentially terminations and claims. As a result, the Recovery Act projects may result in an increased workload for the contracting staff for a prolonged period.

AGENCY ACTIONS: PBS management has been preparing for these issues. With regard to contingency funds, it has a plan to de-obligate and re-obligate between projects. GSA management also believes that reductions to its construction budget in 2011 and 2012 may enable it to meet its staffing requirements for the Recovery Act projects by reassigning staff from the unfunded projects.

GSA

GSA Administrator

November 9, 2011

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: MARTHA JOHNSON
ADMINISTRATOR (A)

Martha Johnson

SUBJECT: Inspector General's Assessment of the U.S. General Services Administration's Major Challenges

Thank you for providing me with the opportunity to review your assessment of the major challenges currently facing the U.S. General Services Administration (GSA) and our progress in addressing them.

GSA acknowledges these challenges and is implementing a broad range of measures to address them, including the development of an Enterprise Acquisition Solution to simplify the interconnection between acquisitions and the accounting system; and making additional efforts to improve the Multiple Award Schedules (MAS) program's pricing, management, and electronic contracting environment and continue the transition of Government agencies to Networx telecommunications contracts.

Please find attached our comments that provide information and clarification pertaining to the Greening Initiative, Financial Reporting and Acquisition Programs.

We look forward to continuing to work with the Office of the Inspector General (OIG) to minimize, if not, eliminate waste, fraud, and abuse and promote greater Government effectiveness and efficiency.

Attachment

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Washington, DC 20405-0002
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Fax: (202) 219-1243
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 OTHER ACCOMPANYING INFORMATION

AGENCY MANAGEMENT COMMENTS ON THE INSPECTOR GENERAL'S ASSESSMENT

GSA'S "GREENING" INITIATIVE – SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

ISSUE: Challenges Exist in Achieving GSA's Sustainability and Environmental Goals.

The Public Buildings Service (PBS) performed the following actions to move toward achieving GSA's sustainability and environmental goals:

- Developed a Green Purchasing Plan.
- Designing three Net Zero Demonstration Projects per year to demonstrate progress toward the goal of designing buildings to achieve net-zero energy by FY 2030.
- Adapted the Asset Business Plan Tool to include sustainability metrics and developed a sustainability page on the asset business plan.
- Developed sustainability training specific to Asset Managers and for all GSA employees a LEED professional credential training program and a green purchasing training for all employees.
- Developing tools to engage tenants and incentivize behavior change.
- Created a GSA Senior Sustainability Council, the PBS National Sustainability Council, the Sustainability Steering Committee chaired by the GSA Senior Sustainability Officer to implement the GSA Strategic Sustainability Performance Plan, a FAS Sustainability theme team, a PBS National Sustainability Council, and regional sustainability councils.
- Revising *Facilities Standards for the Public Buildings Service* (P-100) to align building and interior finishes standards with sustainability goals and transform P-100 from prescriptive to performance-based standards. Developed performance specifications for green interior finishes including paints and coatings, resilient flooring and cove base, suspended ceiling systems, and wall coverings.
- Gathering and analyzing data to improve building performance through tools such as: LEED, Energy Star Portfolio Manager, advanced meters, and smart buildings.
- Published a post-occupancy evaluation of 22 GSA buildings to assess real world performance of sustainably-designed buildings and initiated post-occupancy evaluation pilot project.

ACQUISITION PROGRAMS

ISSUE: Multiple Award Schedules Program

In regard to pricing and compliance, FAS has taken a number of steps to strengthen pricing under the Multiple Award Schedules (MAS) program. In October 2011, a pilot for enhanced pricing capability was launched under Schedules 520 and 599 of the MAS program. The pilot includes capturing pricing data up front with offers and modification requests via Formatted Pricelist (FPL) templates, displaying the FPL automatically on GSA Advantage!, and providing the FAS acquisition workforce a Price Evaluation Tool (PET) to enhance the ability to negotiate pricing. Under this pilot, the acquisition workforce will receive complete proposed pricing in a standard format and will also have the automated capability to conduct price analysis through PET. With elimination of the Schedule Input Program (SIP), Contracting Officers and Specialists will no longer have to approve pricelist submission through the Contracting Officer Review System. Another feature includes the automation of standard Pre-Negotiation Memorandum, Price Negotiation Memorandum, and Final Proposal Revision templates for offers and modifications. Additionally, FAS has begun to issue a series of Procurement Information Notices to outline price analysis evaluation techniques and strengthen the use of these techniques under the MAS program.

In regard to contract workload management, FAS has undertaken several Continuous Process Improvement (CPI) initiatives to help address workload challenges. In FY 2010, FAS launched the Rapid Addition Modification (RAM) process improvement aimed at addressing workload associated with administrative modifications. Of the 45,000 modifications submitted annually, 40 percent are administrative. After the implementation of RAM, the cycle time for processing administrative modifications decreased 60 percent allowing Contracting Officers and Specialists to focus on more important pricing modifications. In October 2011, FAS launched the Option Process to Ensure iNtegrity (OPEN) to streamline the process for exercising options to extend the term of a MAS contract. This project reduces extraneous process steps, upgrades system functionality, reduces workload, and promotes greater consistency across the MAS program. Finally, FAS began a CPI project entitled the Contractor Readiness Initiative. The initial analysis with this project is complete and improvements in outreach to potential contractors are being implemented to ensure more successful contractors and greater utilization of suppliers under the MAS program.

FAS made tremendous progress in moving toward an electronic contracting environment for the MAS program. Achieving an end-to-end electronic contracting environment holds a host of benefits like supporting a mobile/agile workforce, improving workload management, increasing contract quality, reducing our environmental footprint, and obtaining meaningful business intelligence. One key element in the move toward electronic contracting is the movement toward eOffer/eMod. In January 2010, only 18 percent of modifications under the MAS program were received electronically. As of September 2011, 73 percent of modifications are received electronically. Finally, as of FY 2012 all offers and modifications must be received electronically under the MAS program.

Transition to Networx

In 2011, FAS awarded four 6-month continuity bridge contracts each with 6-month option periods to support agencies that required services as they complete the transition to Networx. Currently, 80 agencies are completely transitioned to Networx. Only 55 agencies are using the bridge contracts, and 39 agencies are at least 90 percent complete. This progress is the result of GSA directly supporting small agencies, quickly accomplishing any required contract modifications, working service inventory issues, working with carriers to coordinate transition issues, working with OMB to review transition plans, and offering protest support when necessary. We are also focusing our Network Services 2020 strategy effort on simplifying and improving the telecommunications transition process.

FINANCIAL REPORTING & INFORMATION TECHNOLOGY

ISSUE: Controls over Budgetary Reporting, Financial Reporting, and Acquisition Systems

Some subsidiary feeder systems do not update the financial management system in real time which leads to worksheet adjustments. The Federal Acquisition Service (FAS) and the Office of the Chief Financial Officer have made significant progress in reducing the number of worksheet adjustments. FAS has taken an active approach to mitigating the risks of disparate legacy business systems and has made the strategic decision to invest in the development of an Enterprise Acquisition Solution (EAS) designed to improve capabilities across FAS through implementation of a flexible and scalable Service Oriented Architecture (SOA) framework. The development of a SOA will reduce the inconsistencies associated with such a diverse set of business systems and processes by packaging functionality and allowing different applications to exchange data. By simplifying the interconnection and usage of existing IT assets, FAS will be able to respond more quickly and cost effectively to changing market conditions while also facilitating functions of the accounting system.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) under Public Law 111-204 requires GSA to review all programs and activities it administers, identify those which may be susceptible to significant erroneous payments, and implement mandatory actions to reduce erroneous payments. In FY 2011, GSA performed a simplified risk assessment which evaluates improper payments from the results of the GSA payment recapture audit and continuous monitoring program surrounding the disbursement process. Based on these assessments, we conclude that no GSA programs are risk-susceptible under the new guidelines. OMB defines a risk-susceptible program as having improper payments greater than $10 million and 2.5 percent of program disbursements or greater than $100 million, regardless of the error rate.

PAYMENT RECAPTURE AUDIT PROGRAM

In FY 2011, GSA's Payment Recapture Audit Program reviewed $22.6 billion of the $25.2 billion in disbursements subject to review. Payments subject to other reviews which include Construction and the Transportation programs were excluded from the Payment Recapture Audit Program. Since FY 2004, this program has identified $178.6 million of overpayments and successfully recovered $122.4 million of improper payments. All amounts recovered are returned to the original program, excluding a contingency fee paid to the payment recapture audit contractor upon successful collection of contractor identified claims. GSA's current outstanding overpayments are $1.77 million, of which 50% of the total amounts have been outstanding for less than 6 months. The remaining balance has been outstanding for over 6 months but less than a year. Current and prior-year results of the Payment Recapture Audit program are presented in the table below.

Payment Recapture Auditing Results
Current Year (FY 2011) and Prior Years (FY 2004 through FY 2010)

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified	Amount Determined Not to be Collectable (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PY)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY + PY)	Cumulative Amounts Determined Not to be Collectable (CY + PY)
Leasing	Contract	$3.1 B	$3.1B	$13.2M	$11.5M	87%	$1.73M	13%	$0	N/A	N/A	N/A	N/A	N/A	N/A
Utilities	Contract	$650M	N/A	$275K	$233K	85%	$42K	15%	$0	N/A	N/A	N/A	N/A	N/A	N/A
Other	Contract	$21.5 B	$19.5B	$85K	$81K	95%	$4.3K	5%	$0	N/A	N/A	N/A	N/A	N/A	N/A
	Totals	$25.2B	$22.6B	$13.6M	$11.8M	87%	$1.77M	13%	$0	$165M	$110.6M	$178.6M	$122.4M	N/A	N/A

The Payment Recapture Audit Program works with managers to improve the efficiency and effectiveness of the recovery audit process from payment review to claim collection. Business process changes have been proposed and new controls identified to prevent further occurrences of known disbursement risks. In addition to this audit performed under the IPERA guidance, GSA will continue its review of payment transactions as part of the quarterly continuous monitoring program.

IPERA requires agencies to establish annual targets for their payment recapture audit programs based on the rate of recovery. GSA payment recapture recovery rate was 87% in FY 2011. A summary of GSA recovery rate and recovery rate targets for subsequent years are provided below.

Payment Recapture Audit Targets

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Identified	CY Amount Recovered	CY Recovery Rate	CY + 1 Recovery Audit Target	CY + 2 Recovery Rate Target	CY + 3 Recovery Rate Target
Leasing	Contract	$13.2M	$11.5M	87%	83%	85%	87%

The Payment Recapture Audit program consolidates the results of the contractor and GSA discovered errors and reports the total amount as shown in the tables to the right. There are no other known overpayments recaptured outside of this program.

FY 2011 Payment Recapture Audit Program Results (in Dollars)	
Recovery Audit Program Costs	$2,939,208
Agency Salaries & Expenses	$173,187
Total Contracted Expenses	$2,766,021
Paid	$2,602,933
Due	$163,088
Total Payment Errors Identified	$13,557,588
Discovered by Contractor	$13,545,722
Amount Unrecoverable	$0
Amount Recovered	$11,773,967
Amount Outstanding	$1,771,755
Discovered by GSA	$11,846
Amount Unrecoverable	$0
Amount Recovered	$7,531
Amount Outstanding	$4,315

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1. **Summary of Financial Statement Audit**

Audit Opinion: Unqualified
Restatement: No

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Financial Management Systems, Budgetary Controls, and Financial Reporting	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Table 2. **Summary of Management Assurances**

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance:	Unqualified					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management Systems, Budgetary Controls, and Financial Reporting	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance:	Unqualified					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management Systems, Budgetary Controls, and Financial Reporting	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance:	Systems substantially conform to financial management system requirements					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management Systems, Budgetary Controls, and Financial Reporting	0	0	0	0	0	0
Total Non-Conformances	**0**	**0**	**0**	**0**	**0**	**0**

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	GSA	AUDITOR
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

OTHER GSA STATUTORILY REQUIRED REPORTS

DEBT MANAGEMENT

GSA reported $142.8 million of outstanding debt from non-federal sources, of that amount, $30.4 million or 21.3% of the outstanding debt was delinquent at the end of FY 2011. Non-federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the Department of the Treasury (Treasury), Financial Management Service for cross-servicing collection. During FY 2011, the Office of the Chief Financial Officer (OCFO) referred over $13.4 million of delinquent non-federal claims to the Treasury for cross-servicing collection activities. Collections on non-federal claims during this period exceeded $459.2 million.

The OCFO has continued to implement and initiate actions to improve our debt collection efforts and reduce the amount of debt written off as uncollectible for GSA.

GSA actively pursues delinquent non-federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. GSA continues to place a high priority on resolving delinquent accounts receivable and claims.

CASH AND PAYMENTS MANAGEMENT

The Prompt Payment Act, along with the Debt Collection Improvement Act of 1996, requires the timely payment of commercial obligations for supplies and services using electronic funds transfer (EFT). In FY 2011, GSA paid interest of $1.4 million on disbursements of $20.1 billion, or $68.41 in interest per million disbursed. GSA incurred interest penalties primarily on late payment of taxes due on GSA leases. The statistics for the current and preceding two fiscal years are as follows:

	FY 2009	FY 2010	FY 2011
Total Number of Invoices Paid	1,450,011	1,594,712	1,565,084
Total Dollars Disbursed	$16.7 Billion	$17.9 Billion	$20.1 Billion
Total Dollars of Interest Penalties	$1,944,630	$1,604,034	$1,379,234
Interest Paid per Million Disbursed	$116.53	$89.12	$68.41
Percentage of Invoices Paid On Time	98.3%	98.5%	98.8%
Percentage of Invoices Paid Late	1.70%	1.50%	1.11%
Percentage of Invoices Paid Electronically	98.7%	98.5%	98.3%

SCHEDULE OF SPENDING
(UNAUDITED)

The Schedule of Spending presented below is not a required report, but was developed in an attempt to present GSA's spending in a reader friendly format. To achieve this goal, standard accounting terms were modified to improve understanding of common deferral accounting terms for the general public. For example, the line item labeled Available to Spend matches the Total Budgetary Resources line in GSA's Combining Statements of Budgetary Resources (CSBR). The Committed to Spend section equals Obligations Incurred; Amounts Remaining after Commitments equals the Unobligated Balances; and the Payments Made section equals Gross Outlays all from the CSBR.

For the Fiscal Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011				2010			
	Federal Buildings Fund	Acquisition Services Fund	Other Funds	GSA Combined Totals	Federal Buildings Fund	Acquisition Services Fund	Other Funds	GSA Combined Totals
Available to Spend	**$ 16,689**	**$ 13,145**	**$ 1,015**	**$ 30,849**	$ 20,822	$ 12,641	$ 1,074	$ 34,537
Less: Committed to Spend								
Employee Salaries, Benefits, and Travel	**821**	**464**	**320**	**1,605**	818	441	307	1,566
Building Leases	**5,371**	**51**	**29**	**5,451**	5,280	52	35	5367
Utilities, Communications	**455**	**1,109**	**29**	**1,593**	463	1,176	29	1,668
Other Services	**2,834**	**5,865**	**373**	**9,072**	2,861	5,217	374	8,452
Supplies and Materials	**40**	**2,961**	**3**	**3,004**	34	3,131	47	3,212
Equipment	**136**	**854**	**25**	**1,015**	286	813	44	1,143
Land Structures	**1,620**	**6**	**0**	**1,626**	4,966	8	0	4,974
Other	**166**	**53**	**3**	**222**	178	53	3	234
Total Agreements	**11,443**	**11,363**	**782**	**23,588**	14,886	10,891	839	26,616
Amounts Remaining after Commitments	**$ 5,246**	**$ 1,782**	**$ 233**	**$ 7,261**	$ 5,936	$ 1,750	$ 235	$ 7,921

	2011				2010			
	Federal Buildings Fund	Acquisition Services Fund	Other Funds	GSA Combined Totals	Federal Buildings Fund	Acquisition Services Fund	Other Funds	GSA Combined Totals
Payments Made								
Employee Salaries, Benefits, and Travel	**848**	**477**	**327**	**1,652**	804	437	307	1,548
Space Rental	**5,324**	**51**	**29**	**5,404**	5,212	51	33	5,296
Utilities, Communications	**433**	**1,137**	**28**	**1,598**	449	1,188	25	1,662
Other Services	**2,812**	**4,855**	**372**	**8,039**	2,796	4,496	333	7,625
Supplies and Materials	**35**	**2,919**	**4**	**2,958**	36	3,071	95	3,202
Equipment	**131**	**851**	**30**	**1,012**	86	753	39	878
Land Structures	**2,909**	**3**	**0**	**2,912**	1,675	2	0	1,677
Other	**172**	**51**	**4**	**227**	174	51	5	230
Total Payments	**$ 12,664**	**$ 10,344**	**$ 794**	**$ 23,802**	$ 11,232	$ 10,049	$ 837	$ 22,118

DESCRIPTION OF INDEPENDENT AND CENTRAL OFFICES

- **Office of Citizen Services and Innovative Technologies (OCSIT):** is the nation's focal point for data, information and services offered by the federal government to citizens. OCSIT plays a leadership role in identifying and applying new technologies to effective government operations and excellence in customer service in the government. OCSIT creates a more citizen-centric, results-oriented federal government. OCSIT helps citizens to interact with the government by creating a single electronic front door to the services and information they require in the medium preferred: the Web, e-mail, telephone, fax, or print. OCSIT also provides in-house communications support to the rest of GSA, and is a liaison with the media.

- **Office of Inspector General (OIG):** The OIG conducts an independent nationwide audit and investigative program of GSA internal operations, programs, and external contractors. The OIG promotes economy, efficiency, and effectiveness, and prevents and detects fraud, waste, and mismanagement in GSA programs and operations.

- **Civilian Board of Contract Appeals (CBCA):** CBCA serves as an independent and objective tribunal in contract disputes between government contractors and GSA, and contractors and other executive agencies. CBCA provides alternative dispute resolution services to all federal agencies and contractors. The board also hears claims involving transportation rate determinations, federal employee travel, relocation and expense claims, and a small number of other types of claims.

- **Office of the Chief Financial Officer (OCFO):** The OCFO provides financial management services for GSA and over 50 internal and external customers. The OCFO manages strategic planning, budgeting and the performance management cycle within GSA; manages core accounting system; and prepares financial statements and reports.

- **Office of the Chief Information Officer (OCIO):** The OCIO provides enterprise IT services and solutions by leveraging IT resources to support GSA business needs.

- **Office of the Chief People Officer (OCPO):** The OCPO develops and delivers programs, policies and services that promote GSA strategic management of human capital.

- **Office of Communications and Marketing (OCM):** OCM focuses on conveying information about GSA to federal employees and external audiences, including the media, agency customers, stakeholders, and the American public.

- **Office of Civil Rights (OCR):** OCR ensures equal employment opportunity (EEO) for all GSA employees and applicants for employment on the basis of sex, race, color, national origin, religion, disability and age, and protects employees from retaliation for protected EEO activity. OCR protects recipients of GSA's Federal Financial Assistance program and participants in federally conducted programs from discrimination.

- **Congressional and Intergovernmental Affairs (OCIA):** OCIA maintains Agency liaison with Congress; prepares and coordinates GSA annual legislative program; communicates GSA legislative program to OMB, Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

- **Office of Emergency Response and Recovery (OERR):** OERR is responsible for ensuring that GSA maintains a constant state of readiness to provide emergency acquisition support and emergency real property to federal agencies in the event of a disaster or catastrophic event. OERR coordinates GSA national continuity responsibilities by: developing policies, plans and procedures; developing and implementing GSA disaster readiness programs; and providing emergency acquisition support and serving as the on-the-ground liaison between GSA field organizations and federal emergency response efforts during national disasters. OERR coordinates emergency management services throughout GSA, and develops emergency preparedness procedures, shelter-in-place guidelines and training to assist employees in the event of an emergency.

- **Office of General Counsel (OGC):** The OGC provides legal advice and representation to GSA services and staff offices to enhance their ability to help federal agencies. The OGC carries out all legal activities of GSA, ensures full and proper execution of GSA's statutory responsibilities, and provides legal counsel to GSA officials.

- **Office of Governmentwide Policy (OGP):** OGP improves government-wide management. Its responsibilities span personal and real property, travel and transportation, IT, regulatory information, and use of federal advisory committees. OGP accomplishes its mission through collaboration with federal agencies and other stakeholders.

- **Office of Small Business Utilization (OSBU):** OSBU advocates for small, minority, veteran, historically underutilized business zone (HUBZone) and women business owners. OSBU promotes increased access to GSA nationwide procurement opportunities by nurturing entrepreneurial opportunities, outreach and training.

ACRONYMS AND ABBREVIATIONS

AAS	Assisted Acquisition Services
AFR	Agency Financial Report
AFV	Alternative Fuel Vehicle
ASF	Acquisition Service Fund
APR	Annual Performance Report
ARRA	American Recovery and Reinvestment Act
BAAR	Billing and Accounts Receivable
CGAC	Common Government-wide Accounting Classification
CSBR	Combining Statements of Budgetary Resources
CSRS	Civil Service Retirement System
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FASAB	Federal Accounting Standards Advisory Board
FBF	Federal Buildings Fund
FCSF	Federal Citizen Services Fund
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Manager's Financial Integrity Act of 1982
FPS	Federal Protective Service
FTE	Full-time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse Gas
GSA	U.S. General Services Administration
GSAM	General Services Administration Acquisition Manual
GSS	General Supplies and Services
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
ITS	Integrated Technology Services
LEED	Leadership in Energy and Environmental Design
MAS	Multiple Award Schedules
MPG	Miles Per Gallon
NEAR	National Electronic Accounting and Reporting
OMB	Office of Management and Budget
PBS	Public Buildings Service
PMR	Procurement Management Review
R&A	Repairs and Alterations
RWA	Reimbursable Work Authorization
SFFAS	Statements of Federal Financial Accounting Standards
TSP	Thrift Savings Plan
TMVCS	Travel, Motor Vehicles, and Card Services
USSGL	U.S. Standard General Ledger
VCSS	Vendor and Customer Self Service
VoIP	Voice over Internet Protocol
WCF	Working Capital Fund

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